

European Communities

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EUROPEAN PARLIAMENT

# Working Documents

1983-1984

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24 October 1983

DOCUMENT 1-900/83/ANNEX

ANNEX

to the report drawn up by Mrs C. SCRIVENER  
on behalf of the Committee on Budgets

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- OPINIONS on the draft general budget of the  
European Communities for the financial year 1984

PE 86.690/fin./Ann.



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O P I N I O N

(Rule 101 of the Rules of Procedure)

of the Committee on Agriculture

Draftsman: Mr BLANEY

On 10 February 1983, the Committee on Agriculture appointed Mr BLANEY draftsman of the opinion.

The Committee considered the draft opinion at its meetings of 26/27 May, 12/13 July, 27/28 September and 17/18 October 1983 and adopted it on 17/18 October 1983 by 19 votes to 10 with 5 abstentions.

The following took part in the vote: Mr Curry, Chairman; Mr Früh and Mr Delatte, Vice-Chairmen; Mr Blaney, draftsman; Mrs Brookes (deputizing for Mr Battersby); Mr Bocklet; Mrs Castle; Mr Clinton; Mr Dalsass; Mr Davern; Mr Eyraud; Mr Gatto; Mr Gautier; Mr Helms; Mr Hord; Mr Kaloyannis; Mr Kaspereit; Mr Ligios; Mr McCartin (deputizing for Mr Mertens); Mr Maffre-Baugé; Mr Maher; Mr Marck; Mrs Martin; Mr Nielsen, B; Mr Pranchère; Mr Provan; Mr Simmonds; Mr Sutra; Mr Thareau; Mr Tolman; Mr Vernimmen; Mr Vgenopoulos; Mr Vitale; Mr Woltjer.

1. The procedure for the adoption of the 1984 budget takes place in the context of a crisis in which the common agricultural policy and its financing are playing a central role.

2. After a respite in 1980-1981, a combination of factors - production increases, world market conditions, etc. - have led to a major increase in the cost of the CAP in 1983, as reflected in the supplementary budget. Already in 1983, the Community budget will be bumping against the ceiling imposed by the 1% limit on income from VAT. There is every reason to think that the rise in CAP costs will continue in 1984. Against this background the cost of the CAP and the Commission's new ideas for far-reaching changes in it will be a major issue at the European Council session in Athens, taking place prior to the final adoption of the 1984 budget.

3. The time is more than ripe for getting beyond the somewhat sterile controversies that have occurred in the past around the cost of the CAP. On the part of the traditional defenders it implies a readiness to abandon their uncompromising hands-off approach and agree to seek ways of limiting surpluses, mastering expenditure and eliminating abuses. This will be possible to the extent there is general acceptance of the benefits the CAP has brought - in terms of self-sufficiency and guaranteed food supplies; stable prices, even in the context of major fluctuations on the world market; and the need to maintain its essentials. On the part of those traditionally critical, it requires an understanding that no solution is to be found simply in slashing guaranteed prices: as the Commission has said, 'a cost-cutting exercise, conducted without regard to the social and economic consequences, would render no service to the development of the Community'.<sup>1</sup>

4. Of the two occasions each year when the European Parliament is required to give its views on CAP matters - the price proposals and the budget debate - the latter is at least as important. It is true that to a large extent the figures in the budget are outside the power of the budgetary authorities. They result in part from the price levels set at a different time, and their impact via the machinery of the CAP - support buying, export rebates, compensatory payments, monetary compensatory amounts,

<sup>1</sup> 'CAP/Proposals of the Commission', Communication to the Council Doc. COM(83) 500 final of 28.7.83).

levies, co-responsibility, etc. - but in part also from other factors influencing production, such as rising efficiency or weather conditions as well as from the situation on the world market. It thus makes little sense for Parliament to seek to amend the figures for obligatory expenditure under the Guarantee section of the EAGGF, save where the Commission has clearly failed to allow for known trends. In addition, we have to accept supplementary budgets, adapting the estimates to the realities, as a regular feature of Community budgeting.

5. What the budget debate does afford, on the other hand, is an occasion for the Parliament to assess and comment upon the effectiveness in financial terms of new measures adopted. The 1984 budgetary procedure is going to be running in parallel with examination by the Parliament of the Commission's proposals on the future basis for Community financing and also of the Commission's latest proposals on the future of the CAP. The present report may furnish some indications of the budgetary impact of various formulae under discussion.

6. The major breakthrough that has occurred in official thinking about the future of the CAP is the acceptance that the open-ended guarantee to buy up any quantity produced at a single fixed price cannot be maintained. It was this that hitherto nullified all attempts to use the price level to influence production levels. The idea of a guarantee threshold was first launched in the Commission's communication to the Council of October 1981, and was accepted by the Council with the adoption of guarantee thresholds for wheat and colza and for dairy products.

7. There is thus the occasion to examine the budgetary relevance of both 'co-responsibility', of which there is several years experience, and guarantee thresholds. In addition the Commission is now thinking in terms of production quotas; and it has mentioned, but rejected, the formula of differentiated levels of co-responsibility levy. Any such assessment must of course relate the impact of such measures to the absolute volumes of spending and to the discernible trends in output and expenditure.

8. The 1984 draft budget provides for 16,542.8 mECU to be spent on the EAGGF. This represents an increase of 17.4% over the farm spending in the 1983 budget. It is, however, more realistic to speak in terms of the increase in relation to the total including the second supplementary budget for 1983, and this yields an increase from one year to the other of only 2.5%. The following table gives the increase between 1983 and 1984 product by product:

DRAFT BUDGET 1984, PERCENTAGE INCREASE COMPARED TO 1983

	Original 1983 Budget <u>as adopted</u>	Total Budget with Draft Supplementary <u>Budget 1983, No.2</u>
Milk and milk products	+ 21.7	+ 4.7
Cereals	+ 18.9	+ 3.7
Sugar	- 7.7	- 2.7
Beef	+ 9.0	- 6.5
Oil seeds	+ 59.1	+ 12.9
Fruit and vegetables	+ 12.1	- 5.2
Olive oil	+ 4.1	+ 12.5
Tobacco	+ 11.5	+ 9.9
Wine	+ 25.3	- 8.5
Sheepmeat	+ 48.1	- 3.2
Refunds processed agric. products	+ 8.7	+ 3.9
Pigmeat	+ 9.4	+ 7.7
Textile plants	+ 33.1	+ 14.9
Eggs and poultry	+ 2.4	+ 0.8
Protein	+ 63.6	+ 12.9
Total Guarantee	+ 17.4	+ 2.5

In the PDB, the total increase amounted to 4% for 1984 over 1983 including Supplementary Budget No. 2. The 1984 Draft Budget seems to have been achieved by the simple expedient of reducing each item in the PDB by approximately 1.5%.

9. Nevertheless, a further exercise in realism is required if a meaningful comparison is to be attempted. The 1984 budget, like that for 1983, has been kept artificially to a level which can already be seen to be unrealistic. For certain agricultural products, the sums entered for 1984 are lower than those finally entered for 1983: (Cf Table).

10. The 1984 draft budget is also being presented in the light of the fact that the 1983 budget is bumping against its ceiling. Hence it is reasonable to suppose that it includes items from 1983 which have been moved forward.

While this is understandable and perhaps unavoidable, in the particular circumstances which prevail while the Community awaits a political agreement in the European Council on a new VAT threshold, it should not be allowed to create a precedent.

11. More significant than the percentage increases from one year to the other are the trends which underlie them. For the period 1975-79 agricultural ~~guarantee~~ spending rose at a rate of 23% per year. Between 1979 and 1982, even with the accession of Greece, this fell to 5.9% per year, thanks essentially to the favourable situation on the world market as regards both price levels and export opportunities. That favourable situation has ceased to prevail, and in addition a series of factors within the Community have made for higher costs: the repercussions of the prices fixed in 1982, high levels of production for many products, and increased payments attributable to expanding agricultural imports, particularly of cereals substitutes. Mainly due to increased productivity, the rate of increase in milk production went up from its previous 2% p.a. average to 3.5% in 1983, and this seems likely to recur in 1984. The outcome is an average annual rate of increase in guarantee spending between 1982 and 1984 of 15.5%.



12. For 1984 the Commission counts on the level of spending reflecting the combined impact of the low price increases granted for the 1983-84 marketing year, especially for milk and dairy products, and the operation of the guaranteed thresholds for wheat and colza which become effective for the first time. But the impact of these measures must be seen in the context of the trends in production and productivity which will certainly continue.

#### CO-RESPONSIBILITY LEVIES

13. It must be concluded that the co-responsibility levy, applied across the board as it has been (with only a marginal derogation of 1.5% instead of 2% for farmers in handicapped areas) has shown no signs of resulting in either reduced output or lower costs. The explanation undoubtedly lies in the behaviour of producers, faced with what amounts in real terms to a cut in prices. The reaction of large, efficient farmers has often been to increase their output, at marginal cost, by enough to offset the loss of income which might otherwise have resulted from the application of the levy. The many small producers cannot afford to do other than to produce the maximum possible, in an attempt to cover their costs, and are unlikely to adjust their output levels as a result of the co-responsibility levy. The Commission includes in the budget the sums raised by the co-responsibility levy, but gives no estimate of the stimulus to production and how much that extra production costs in terms of support buying.

#### GUARANTEE THRESHOLDS

14. In presenting the preliminary draft for the 1984 budget the Commission hazarded the view that 'the application of guarantee thresholds will reduce expenditure by approximately 500 mECU in 1984',<sup>1</sup> but gave no explanation of how this figure will be arrived at. The guarantee threshold approach differs from the co-responsibility levy in two ways. First, it comes into effect automatically when a level of production is exceeded (in the case of wheat, it is when the average of production over a three-year period exceeds the

<sup>1</sup> Preliminary draft general budget 1984. Vol. 7 p A/17 para 3

threshold; in the case of dairy products, the output figures for each year set off the mechanism. For cereals, there is an automatic cut of 1% in the guaranteed price for every million tons over the threshold. For dairy products, a Council decision is required.) Secondly, the deterrent takes the form of an automatic reduction in the level of guaranteed prices - in other words, a loss of revenue - rather than a tax levied on income received. What the two systems have in common is that they are applied across the board at the same levels to all farmers. This is often defended on the grounds that it avoids discrimination: the surplus produced by all farmers is a basis for penalising them all. In fact, the smaller its output, the heavier the penalty that the farmer has to bear in relation to its income. Small farmers finish up paying the largest share of the total penalty. Yet it can hardly be argued that the small producers share an equal responsibility for any surpluses, and particularly not for any marginal increment in production, for 'producers holding less than 20 cows (1,285,000 or about 77% of the total) hold less than 34% of the total number of milk cows and deliver about 30% of the milk collected'<sup>1</sup>. Since most of the producers with small herds are to be found in the least developed regions, which also have by far the highest proportion of their population in agriculture, the result is that those regions, and the countries in which they are situated, bear a share of the impact which is relatively bigger and therefore fundamentally unjust. It has been calculated for instance that the Irish dairy sector, accounting for 4.5% of EEC production, would be paying some 13% of the total expected from the super-levy.

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<sup>1</sup> Commission communication COM(83) 500 fin. See above. Annexe III description of market sectors.

15. For the dairy sector, doubts as to whether either co-responsibility or guarantee thresholds can have other than marginal impact in financial terms are nourished by a detailed examination. The threshold is obtained by taking the 1981 production figures and adding 0.5% for each year that passes. Thus the 1982 threshold was 1981 production + 0.5%, 1983's threshold is 1981 + 1%, and so on. Yet we have seen that milk output was previously rising at 2% p.a. and that for 1983 and (probably) 1984 the rate of increase is around 3.5%. To respond to a 2.7% increase in milk output in 1982 the Commission finally proposed a 3% cut in intervention prices in 1983. With the increase reaching 3.5% in 1983, the threshold fixed for that year will be exceeded by at least 6%. The Commission estimates<sup>1</sup> that in order to offset fully the additional expenditure likely to arise from the guarantee threshold being exceeded in 1983 the milk price for 1984-85 would have to be abated by as much as 12% and it is forced to admit that 'a measure of this kind would evidently have grave and immediate effects on the revenues of producers, while there would be some delay before the full effect on production was achieved'. This is an admission that the guarantee threshold scheme as it at present exists cannot have its desired effect on either production or guarantee expenditure, because it cannot realistically be applied.

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<sup>1</sup> Commission communication COM(83)500 fin., p.17, para. 4.8

## QUOTAS

16. In its search for possible formulae, the Commission has now revived the idea of quotas. The proposals made in the Commission's memorandum of July 28 1983 is to seek to make the guarantee threshold effective by means of a quota system, with a supplementary levy or super-levy applying to quantities produced over and above the quotas, which would be allotted on the basis of national catchment areas. This is presented as a formula which would result in the relatively drastic cuts which are sought in the burden on the budget. It is however an approach which seems calculated to result in a worsening of some of the underlying problems of the agricultural sector in particular and of the Community in general, with a negative overall impact in budgetary terms. The essential result of the quota-plus-super-levy system, especially in the dairy sector, would be, once again, to penalise most heavily the smaller and developing producers, thus increasing the relative advantage of the big, efficient, low-cost farms. By freezing production at existing levels, the system would impede and discourage the process of technical improvement which is vital to the smaller developing producers if they are to ameliorate their own economic situation. Nor should it be forgotten that, in areas such as Ireland where dairying has for years been the most dynamic element in the agricultural sector, where considerable investment has been made in the processing and ancillary industries, and where it provides a high percentage of revenue and employment, the further development of poorer regions is dependent on the steady improvement in the position of dairy farmers. Instead, those benefitting would be the farms and regions that have already developed their potential and can afford to stabilise output at levels which yield high levels of profit. By extension, the quota system would penalise those member countries where agriculture plays a larger role in the economy, and where dairying makes an above-average contribution to GNP (again, Ireland is a good example, with milk accounting for 33% of gross agricultural output, despite the fact that total national output is only 4.5% of EEC milk production). It should also be noted that the negative impact of the quota/superlevy on the dairy sector could spill over disastrously into the beef and veal sector (in the Irish case, the beef sector relies essentially on the dairy herds for providing calves).

17. The Commission in its July 1983 paper eliminates in passing the idea of using a differentiated co-responsibility levy according to the volume of milk produced. This is dismissed on the grounds that the differentiation required could cause 'inequalities between Member States'. That however is

precisely what the present situation yields, since some member countries have most of the big efficient farmers, others the majority of the small dairy farmers. The Commission would do well to look again at this approach, for the specific reason that, in the opinion of the rapporteur, it offers the best prospects for achieving real reductions in both production and costs.

18. The Commission should perhaps not abandon this idea so easily, but should examine other versions of it. For instance, the basic guaranteed price might be paid for all production up to a given annual level which would be the same for all producers. Those producing more - these would be the larger producers, and thus not so numerous as to make the scheme impossible to administer - would either receive a lower price or pay a co-responsibility levy. In a more sophisticated version, there could be several thresholds, with the income per litre guaranteed being progressively reduced. This does mean differentiation between producers, but in such a way that the small producer can continue to take his income from the market, and has a stimulus to increase efficiency, whereas the incentive to larger producers to go on producing surpluses at marginal cost would be reduced. Such a scheme has the advantage that it is flexible and can be adjusted to fit the targets in terms of production or of expenditure which are set politically.

#### COMMERCIAL POLICY

19. One of the major sources of increased spending in the agricultural budget over recent years has been the inter-action between commercial policy and the CAP. A number of agricultural products are subject to low duties, or to no duties at all, at the Community's external frontiers, with these concessions frequently tied in the framework of GATT. These loopholes are being exploited to the maximum in an effort to expand to the maximum sales on Community markets, and this affects the balance on internal agricultural markets in a number of ways, leading to higher costs to be borne by the CAP budget.

20. The case of soya is well known: large-scale soya-cake imports, mainly from the USA, occurred as the result of the low level of protection, and the failure to agree to tax imported vegetable oils. On the one hand, cheap soya-cake imports were at the origin of the switch to intensive forms of dairying and contributed largely to the rapid rise in the productivity of herds where these techniques were used. This has been one of the factors behind the expanding output which has led to surpluses. At the same time it has reduced consumption of feedgrains and forage material produced inside the Community. On the other side, soya imports have become one of the major factors accounting for the Community's balance of payments deficit with the United States. The case for a tax quota on soya imports continues to strengthen.

21. More recently, a new problem has arisen with the steady expansion of imports of a wide range of cereals substitutes, such as oil seeds and meals, manioc, molasses, fruit waste, maize gluten feed, brans and others. All of these benefit from favourable conditions at the Community frontier.

22. Imports of products containing mainly proteins (including soya) went up from 14.9m tonnes in 1974 to 25.1m tonnes in 1980. Imports of substitutes other than proteins (manioc, brans, fruit waste, etc.) rose from 6.2m tonnes in 1974 to 14.4m tonnes in 1980. These increases resulted only in part from such products replacing imported feed grains, mainly maize (imports dropped over the same period from 16.6m to 10.7m tonnes), the rest of the expansion taking place at the expense of feed grains produced within the Community. Thus, despite a steady rise in livestock production the amount of that going to animal feed stagnated from 1974 to 1980.

23. Imports of cereals substitutes have a multiple effect on the budget: they mean a loss of revenue on feed-grain imports which would have been subject to levies; they result in surplus supplies of Community-produced feedgrains having to be bought into intervention, or exported with the accompanying export rebates.

Cereal substitutes are also a source of disequilibrium within the Community. Some 45% of these imports go to the Netherlands (in part in transit) and 30% to the Federal Republic. This is partially a result of

an inter-action of this problem with that of monetary compensatory amounts. The substitute products which are traded at the commercial rates go primarily to the strong currency countries, with positive MCA's, thus providing farmers in those countries, who are already the most intensive and most efficient producers, with preferential access to cheaper feed sources, and further extending their advantage over the farmers in countries relying to a greater extent on grass for their dairy herds (e.g. Ireland).

24. A parallel trend to the substitution of cereals occurs with imported vegetable oils replacing butter or olive oil on the Community market.

25. It becomes urgently necessary for the Community to take steps to arrest and if possible to reverse this trend. This could be done by the introduction of an overall Community policy on fats and oils, involving in particular restriction on soya imports; and by measures against cereals substitutes which at the least would prevent further increases in imports, and ideally would result in a cut-back. Steps have been taken to negotiate an end to the growth in manioc imports. Similar moves are needed for glutens and brans. Freezing of imports at the levels now reached is hardly enough. Only a reduction will lessen the burden on the CAP budget.

#### MONETARY COMPENSATORY AMOUNTS

26. Monetary Compensatory Amounts continue to constitute a burden on the budget, both directly and indirectly. In 1983 they cost 411 mECUs directly and a similar burden can be expected for 1984. Secondly, the fact that support prices are higher in the Netherlands, the Federal Republic and the UK stimulates increased output in these countries, precisely the ones with major marginal production capacity in big efficient units. Lastly, as has been seen, the existence of positive MCAs stimulates the use of imported cereal substitutes, also leading to unnecessary increased output and to other costs as analysed. For all these reasons the abolition of MCA's must remain a priority from the budgetary point of view.

### CREATION OF AUTOMATIC RESERVES

27. What the Committee is proposing is that appropriations not used during a given budgetary year shall be automatically carried over to the following financial year and thus constitute a reserve to meet unforeseen expenditure within the EAGGF Guarantee Section arising from

- Council decisions on farm prices,
- monetary factors outside the control of the Community,
- erratic fluctuations in world prices for agricultural products,
- exceptional climatic conditions,
- any other unforeseeable cause.

### STRENGTHENING THE GUIDANCE SECTOR OF THE EAGGF

28. In the present economic context, the Parliament attaches particular importance to the employment aspects of all measures covered by the budget. In view of the need to stem the continuing (if now slower) exodus from rural areas, and to stimulate the economic revival of agricultural areas, structural measures to help farmers become more efficient have a great potential.

First, such measures help ensure that farming provides an adequate income and an attractive way of life, thus damming the exodus. Second, improvements in farm efficiency are fundamental to the overall economic situation in the regions concerned, maintaining the social, cultural and economic fabric and thus guaranteeing employment.



29. In addition, preventing further exodus from the rural areas, whether by small farmers forced to abandon their profession or by young people unprepared to stay on the land under unattractive conditions, both condemned to swell the ranks of the urban unemployed, must surely be recognised as equally important with the creation of new jobs. Modernisation of farm structures and improvements in the infrastructure of the farming economy, in less-favoured and often peripheral areas where agriculture is the main activity, has a double significance.

30. The budget before us goes in the opposite direction. Credit for two of the most important measures - the modernization of farms and aids to mountain, hill and less favoured areas have actually been decreased. This is totally unacceptable. The most effective use of Community funds in the fight against unemployment is to block the flight from the land by reinforcing existing measures to help the less favoured areas overcome their natural handicaps and by rapid action to ensure the success of integrated programmes to improve long-term employment prospects in these regions.

31. It is regrettable that in the 1984 draft budget there is a drop of 3.4% in payment appropriations for the guidance side of the EAGGF. Even allowing for a 1% increase in funds for specific action, the net result is a drop of just over 3%. Allowing for the 1983 supplementary budget the figure is just under 1%. This seems particularly unfortunate in a budget where a major additional effort is proposed for the social fund and for regional policy spending. In any case, total Community spending in agricultural regions is far from adequate to counter the negative impact of the price system on the small farmers.

32. Relative neglect of the structural side of the CAP is not something new. It has been an on-going trend. The original conception of the CAP was that structural expenditure was based on a formula which worked out at up to 30%. Soon a specific annual ceiling was introduced, set at 325mECU in 1973. Then came the decision in 1980 to establish a global sum to be spent over a 5-year period: 3600mECU, later raised to 3755mECU following Greek accession, for the five years 1979-84. The last such period comes to an end in 1984. But this approach has already been abandoned. It has indeed worked as a brake upon any development of structural spending.

33. One of the obstacles to the development of Community activity has lain, in the past, in the difficulty of ensuring that the money was spent, whether for lack of projects or on account of bottlenecks at the level of national administrations. It is evident, given the considerable underspending on a number of guidance measures, that certain of the provisions in force involve requirements which the farmers most in need cannot fulfill, are too complex to administer and are not sufficiently financed by the Community. The contrast between the low level of commitment appropriations and the high level of payments in the 1984 budget - up 76% in relation to 1983 - is evidence that this problem is being partially overcome. That too would constitute grounds for planning a higher level of activity.

34. Virtually all the measures falling under the guidance section are currently due for renewal or replacement, and it is also regrettable that the Commission has lagged behind in tabling new proposals, so that they could be taken into account in the overall review of the CAP now occurring. Such new proposals, when they are tabled, should involve a clearer commitment to the maintenance and development of agricultural employment, and should be aimed at simplifying procedures to ensure that funds for structural improvement get used where they are most needed.

35. In more propitious circumstances, it would have been reasonable to propose that some or all of amounts saved on the costs of the guarantee side of the fund should be devoted to structures. Less ambitious is the idea that in future the expenditure on structures should at the least keep pace with increases in spending on guarantee. The Committee is proposing a number of amendments in this field for 1984.

### COMMON FISHERIES POLICY

36. The adoption of a common fisheries policy opens the way for a more vigorous policy of Community support for structural measures capable of maintaining employment levels and boosting regional economies. The Community has taken over from Member States the responsibility for Community fisheries policy. The Community should ensure that sufficient resources are set aside to ensure that responsibility can be fulfilled.

37. The principal areas in which the Community must act to implement properly the Common Fisheries Policy are as follows:

- structural measures to adapt the Community's fishing fleet to present economic factors and fishing possibilities, through modernization of vessels and adapting catch capacity;
- research on the fish stocks, the impact of particular fishing methods and the social and economic repercussions of the possible policy options;
- effective control and surveillance of fishing operations, without which a fishing policy will simply fall apart under the weight of mutual suspicion and discord;
- research on markets and the ways of maximising returns to fishermen; and
- financial resources necessary for the implementation and administration of Third Country agreements.

The Committee is proposing a number of amendments to provide funds for the above.

38. Furthermore, we should note that the European Parliament has taken the initiative to stress the importance of action to reinforce policy in certain sectors where the Community has a special role to play or has neglected to fulfill adequately its responsibilities:

- the introduction of a proper fisheries policy in the Mediterranean, and the biological research essential to the elaboration of more effective policies, (report by Mr GAUTIER<sup>(1)</sup>),
- the creation of an effective Community surveillance and control of fishing in Community waters (report by Mrs PERY<sup>(2)</sup>),
- measures to be taken in view of the accession of Spain to the Community (reports by Mrs PERY<sup>(3)</sup> and Mr d'ORMESSON<sup>(4)</sup>),
- encouragement of fish farming (reports by Mr PAPAPIETRO<sup>(5)</sup> and Mr PAPAEFSTRATIOU<sup>(6)</sup>),
- a programme to conserve The North Atlantic Salmon

In none of the areas where action is already undertaken by the Community or advocated by the Parliament have adequate resources been granted in the past, or are proposed at present.

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(1) OJ No. C 68 of 14.03.1983	Doc. 1- 949/82
(2) OJ No. C 149 of 14.06.1982	Doc. 1-183/82
(3) PE 85.446	
(4) PE 82.111	
(5) PE 86.044	
(6) OJ No. C 68 of 14.03.1983	Doc. 1-950/82

## FORESTRY

39. Attention should also be drawn to the potential, in terms of both employment and productive investment, of the forestry sector<sup>(1)</sup>. Although timber imports rate second on EEC's import bill, the Community's forestry remains under-exploited largely for lack of investment (due to return lags and fiscal obstacles). A major programme in this area could have a positive aspect also in terms of rural employment and diversification of energy supply (bio-mass). An appropriate budget line should be opened immediately.

## INTEGRATED DEVELOPMENT PROGRAMMES

40. In the course of 1983 the Parliament will be giving its opinion on renewal, updating, reform and possible extension of farm structures and measures. It is important this should not be invalidated by refusal, in the framework of the budgetary debate, to recognise this as a major priority. To this end, the budget lines of the Guidance Section should be modified as follows:

<u>Item</u>	<u>Heading</u>	<u>Appropriations</u>
301	Marketing and processing of agricultural produce	+ 50
310	Modernization of farms	+ 40
320	Mountain and hill farming and less-favoured areas	+ 40

41. The funds of the Guidance Section should be used increasingly to tackle the particular needs and possibilities of individual regions faced by serious economic and social problems. These programmes should be tailored to the characteristics of each region. The Community has gone some way in introducing integrated programmes for Lozere, West of Ireland, the Western Isles, Northern Ireland, Germany and Greece. These programmes indicate the way ahead, but are so far symbolic in terms of the regions covered and the resources employed.

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1 See the Report by Mr GATTO, Doc.

Criteria should be established to determine in a global way the regions in need of special aid and the measures required. Once this has been done, far greater resources should be devoted to this type of action.

The European Parliament has emphasized many times the importance of such integrated measures to ensure effective action to stimulate the economies of rural areas and to prevent their depopulation. Integrated measures covering agriculture, tourism, light industry, transport, education and training are essential but have been held up by the lack of proper administrative coordination at the national and Community level. To ensure that this coordination becomes effective a new title should be created, Integrated Development Programmes.

#### BUDGET PRESENTATION

42. As regards the presentation of the budget, the Committee on Agriculture continues to consider that the current approach contributes to giving a false impression of the financial cost of the CAP, by including within the same chapter expenditure which has been decided for political or other reasons and in another context. This applies to food aid (which should figure, as the Commission also feels, with development policy), special concessions in the framework of relations with particular third countries or groups of countries (New Zealand butter, ACP sugar). Such agreements result in additional expenditure by the Community as equivalent amounts are bought into intervention or sold on the world market with the aid of export refunds.

We should also note that the absence of policies in other areas, particularly to ensure greater coordination of monetary and economic policies. Monetary compensatory amounts, which cannot be considered as an integral part of agricultural policy, have become a considerable charge on the EAGGF.

Finally, it should be emphasised that the CAP provides considerable receipts as well as expenditure for the Community budget. The great majority are not taken into account in determining the cost of the CAP, while the co-responsibility levy in the milk sector is included under the EAGGF. Such inconsistencies are not acceptable. MCAs should be entered elsewhere in the budget. On a provisional basis they should be entered following Chapter 38, 'Expenditure in the Agricultural Sector' with the creation of a new Chapter 39 entitled 'Expenditure arising from monetary disturbances'.

The following table shows the true cost of the CAP:

A. RECEIPTS TO BE DEDUCTED FROM EAGGF

1. <u>Agricultural import levies, duties</u>	2,000,000,000
2. <u>Sugar producer contribution</u>	996,680,000
- sugar production levy	512,800,000
- sugar storage levy	480,200,000
- isoglucose levy	3,680,000

B. APPROPRIATIONS INCORRECTLY INCLUDED UNDER THE EAGGF

3. <u>Food aid refunds</u>	288,000,000
- cereals	79,000,000
- rice	19,000,000
- sugar	3,000,000
- skimmed milk	97,000,000
- butter oil	90,000,000
4. <u>Accession compensatory amounts</u>	985,000
5. <u>Monetary compensatory amounts</u>	361,495,000
6. <u>Expenditure arising from bilateral or multilateral agreements</u>	2,015,000,000
- ACP sugar	455,000,000
- New Zealand butter	60,000,000
- beef import concessions	500,000,000
- cereal substitutes	1,000,000,000
C. <u>TOTAL</u>	5,662,160,000

Guarantee Section, PROPORTION OF TOTAL EEC BUDGET		
	<u>1983</u>	<u>1984</u>
	49.77%	42.60% <sup>(1)</sup>

(1) Based on Draft General Budget 1984.

## CONCLUSIONS

43. In conclusion, and in the light of the above considerations, the Committee on Agriculture proposes the following indents and paragraphs in the motion for a resolution on the draft budget of the European Communities for 1984:

### Additional indents:

- (a) Considering that if allowance is made for revenues from the CAP and expenditure attributable to other policies is not taken into account the CAP represents only 43% of the total expenditure in the 1984 budget,
- (b) Considering that in any moves to modify the CAP due allowance must be made for the need to maintain a healthy agricultural sector as a guarantee of independence and as a major source of employment and economic activity, particularly in the outlying regions.

### Additional paragraphs:

- 1 Emphasizes that given the steady rise in agricultural productivity, particularly in the dairy sector, and the consequent expansion of output, the cost of the CAP will increase correspondingly unless a brake is put on the output from large-scale farm enterprises using intensive feeding techniques and cheap imported feedstuffs ;
- 2 Calls on the Commission to re-examine the potential of a system that would guarantee prices for an initial quantity produced by all farms, at a level such as to enable the many farms facing difficulties to develop their full potential, and for supplementary quantities at progressively reduced levels, in order to deter the production of surpluses by large-scale farm enterprises, thus relieving the Community budget of the burden of over-generous support to large enterprises and factory farms which have no pressing need for it;
- 3 Puts on record its deep concern at the implications, notably for the Community budget, of the expansion of agricultural imports which replace Community-produced cereals and fodder, thus stimulating the production of surpluses and increasing the burden of export rebates, and calls on the Commission and the Council for vigorous action to reduce these imports, in particular by a tax on fats and oils and the re-negotiation of international commercial commitments to allow a more realistic



- level of protection at the Community's external frontiers (e.g. soya products, glutens, brans, citrus wastes, etc.);
- 4 Calls for a rapid phase-out of the system of MCA's which result in a burden on the budget of the CAP, both directly and through the stimulus to large farmers especially in strong currency areas to expand output thus increasing surpluses;
  - 5 Emphasises that Monetary Compensatory Amounts are a burden on the budget and worsen existing disequilibria by increasing the cost advantage of large-scale enterprises using intensive techniques and imported feedstuffs and further handicapping farms relying on grazing and Community-produced feedstuffs;
  - 6 Calls for the necessary sums to be set aside for elaborating and operating a valid forestry policy, involving better use of existing timber, and the development of energy uses of wood, in order to provide a supplementary source of income for disadvantaged farms in peripheral regions, to exploit the massive potential for reducing the Community's external trade deficit and for contributing, above all through short-rotating forestry, to reducing consumption of imported energy;
  - 7 Insists that in view of its potential for stemming the exodus from the land and creating increased employment, spending on improvements in agricultural structures should at least be restored to the level proposed in the preliminary draft budget 1984 and that provision should be made for such spending to keep pace in the future with expenditure on guarantees;
  - 8 Urges the Council to make adequate provision for turning the newly adopted Common Fisheries Policy into an effective instrument for the policies to be worked out;
  - 9 Emphasises the urgent need to provide the funds needed to make the Common Fisheries Policy, which has finally been adopted in principle, a reality, notably by voting the credits for staff for surveillance, for research, for training, and for adaptation of capacity;
  - 10 Insists once again on the need for a budgetary presentation which reflects the true costs of the common agricultural policy, and attributes other spending (e.g. on food aid, emergency aid, etc) to policies within which it has been decided.

O P I N I O N

of the Committee on Economic and Monetary Affairs

Draftsman: Mr GIAVAZZI

At its meeting of 20 January 1983, the Committee on Economic and Monetary Affairs appointed Mr Giavazzi draftsman.

It considered the draft opinion at its meetings of 19/20 September 1983 and 27/28 September 1983 and unanimously approved the conclusions contained therein on 28 September 1983.

The following took part in the vote: Mr J. Moreau, chairman; Mr Giavazzi, draftsman; Mr Albers (deputizing for Mr Rogers), Mr Beazley, Mr von Bismarck, Mr Beumer (deputizing for Mr Vergeer), Mr Bonaccini, Mr Caborn, Mrs Desouches, Miss Forster, Mr Forth (deputizing for Sir Brandon Rhys Williams), Mr Franz, Mr I. Friedrich, Lord Harmar-Nicholls (deputizing for Mr Welsh), Mr Herman, Mr Müller-Hermann, Mr Papantoniou, Mr Rogalla, Mr Van Rompuy, Mr Wagner, Mr Wedekind (deputizing for Mr Schnitker) and Mr von Wogau.

The opinion was tabled on 29 September 1983.

1. In its successive opinions on the draft budgets of the Community, the Committee on Economic and Monetary Affairs has time and again been obliged to deplore the lack of any genuine common economic and industrial policy. Sad to relate, the 1984 draft budget is no exception to the rule. Nevertheless, the need for a common policy in the industrial, economic, energy, research, transport and other sectors is generally acknowledged. After all, the pursuit of a common policy is necessary if Europe is to maintain its position as an industrial power. However, no progress is ever made beyond the stage of fine-sounding declarations of intent concerning general objectives, while no agreement is reached on the decisions to be taken on the policy to be pursued in order to achieve these objectives. When, as a result of the Community concentrating its activities on agricultural policy, one particular Member State found itself in an unacceptable financial situation, the Commission received the Mandate of 30 May. The aim was to bring such unacceptable financial situations to an end by providing a solution to the structural imbalance in the policies pursued by re-launching Community policies, developing a common policy in sectors where it was practically inexistent and balancing the Community budget. As

mentioned above, the policy can be pursued much more efficiently at European rather than national level in a number of sectors given the economies of scale offered by the larger dimension of the European market. Attempts to combat the economic crisis and the requisite improvement in the competitive position of our industry makes the need for a genuine European market more tangible the longer time goes on. Technological development, both in the traditional sectors and in the high technology sectors, requires a large-scale production and market organization in order to face up to competition from the United States and Japan on the one hand and to the newly industrialized nations on the other.

2. However, the attempts to restructure Community policy on the basis of the Mandate of 30 May and to introduce a European industrial policy have failed. Given that a permanent solution to the financially unacceptable situations have still not been found, and that in addition, the need for economic revival based on a common policy has become increasingly pressing, the European Council, meeting in Stuttgart from 17-19 June 1983, drew up another mandate similar to the Mandate of 30 May. The conclusions of the presidency on the proceedings of the European Council contain the following remarks concerning economic recovery:

'The European Council considers that the prospects for sustained and non-inflationary economic recovery should be reinforced by developing and defining more precisely the action initiated Community-wide, and thus providing the Community's contribution to the implementation of guidelines adopted by the OECD Council of Ministers. In this context, the need to sustain the effort to promote the level of employment and productive investment was emphasized. The European Council therefore requested the Commission, within the coming months:

- to prepare a detailed analysis of the nature and extent of the recovery and what the authorities are already doing to support, consolidate and accelerate it;
- to make full use of Community financial instruments in a coordinated manner to sustain and consolidate the economic recovery;
- on this basis, to indicate what new factors the Member States in the Community can bring forward to underpin the recovery, as and when necessary.'

With respect to the development of policies and new Community action, the following remarks were made:

'The European Council is determined to develop and make more effective Community action in research, innovation and the new technologies with a view to facilitating cooperation between enterprises. On the basis of proposals by the Commission, decisions will be taken on new Community actions making use of the Community dimension to improve the international competitiveness of enterprises. Negotiations on certain projects of an exemplary nature, e.g. the ESPRIT programme, should be concluded as soon as possible.'

3. Since the aim is that decisions will not be taken until December, when the European Council meets in Athens, this declaration of intent by the European Council is not reflected in the draft budget for 1984. Of course, the development of new policies within the framework of the own resources currently available is impossible since the ceiling of own resources has almost been reached. The decisions to be taken concerning new own resources were also held over to the Athens Summit.

4. In its resolution of 9 March 1983 on the guidelines for the budgetary policy of the Communities for 1984, Parliament gave priority to the financing of specific measures providing direct and indirect investment support as regards both manpower and the economy so as to strengthen the competitive position of undertakings and thus combat unemployment effectively and permanently. Paragraph 2(b) of this resolution states that as regards the economy, investment aid policy must be directed towards boosting productive investment which creates jobs, particularly with respect to small and medium-sized undertakings, and secondly to support certain activities vital for economic development: new technology and innovations, growth industries, research, energy strategy and transport infrastructure. It must further ensure the implementation of specific measures under the integrated Mediterranean programmes, so as to develop the economy of certain less-favoured regions. Given the Community's own resources, which are very limited at present, there is for the time being only a limited margin available to guide policy towards these priority objectives. In response to this resolution, the Commission drew up a preliminary draft budget within the ceiling of own resources containing an increase in the Social and Regional Funds and a number of new activities in the energy sector. As regards industry and the internal market, attention is chiefly paid to the development of high technology in data processing and telecommunications, with pride of place going to the ESPRIT programme. Apart from the ESPRIT programme, therefore, the preliminary draft budget for 1984 contains very little that could truly be called a European industrial policy. The Committee on Economic and Monetary Affairs would, however, prefer that resources were concentrated on a few priority projects which thus have adequate appropriations to face up to the dimension of the problems involved and thereby contribute to their solution. The dispersion of effort over a number of sectors each being allocated only limited appropriations is most unlikely to lead to tangible results. The pursuit of a genuine industrial policy at European level assumes a European budget of a different dimension and the granting to the European Community of a substantial amount of new own resources. The Council must therefore be urged to remain true to its Stuttgart Declaration and in Athens to take the requisite decisions for the development of current policy and the establishment of a policy in new sectors, together with the allocation of the new own resources required for this policy. The Council and national governments must be urged to outline a European policy geared to long-term requirements and not restricted by a short-sighted short-term policy or by national considerations. The national governments must summon up the political will and courage required for this purpose without delay. The structure and scale of the budget should correspond to the practical requirements of a Community policy and not the reverse as, unfortunately, is the case at present.

5. Pending the decision to be taken by the Council, the 1984 budget is a transitional budget which, given the limited own-resources available, can only provide for a continuation of previous policy. In the field of economic and industrial policy, the amount of resources relating thereto is therefore minimal. In the light of the resolution adopted by Parliament on 9 March 1983, the reinstatement of the appropriations entered in the preliminary draft budget for 1984 for this sector is, therefore, the least that Parliament can request. It is, indeed, most regrettable that although the European Council again asked the Commission to reflect on the policy to be pursued in the Community, when it drew up the draft budget for 1984 it took no account whatsoever of that mandate: no cuts were made in the appropriations for agriculture, while those entered in the preliminary draft budget for research, energy and regional and social policy were sharply reduced.

6. Although a genuine common European economic, monetary and industrial policy implies a budget of a totally different dimension, that does not alter the fact that a great deal can be achieved towards the attainment of such a common policy without great burdens being imposed on the budget. It should be possible to coordinate economic and monetary policy much more efficiently than is at present the case. Similarly, enormous progress must be made towards attaining a genuine common market. The establishment of uniform norms and standards for the Community as a whole is crucial for European industry. The opening up of public tenders, which at present are almost entirely restricted on a national basis, should also be one of the Community's priorities. These are simply a few examples which demonstrate that the pursuit of a European policy in a number of sectors does not always have budgetary implications and, in the light of the limited amount of own resources available, the Council is therefore urged to take at least those policy decisions which have no major budgetary implications.

7. Finally, it should again be pointed out that the limited amount of Community funds available must be applied to achieve maximum effect. There must be a guarantee that they are used for the implementation of a common policy. There must also be a guarantee of coordination between the aid granted by the Community through the various structural funds. In this way, it should be possible to increase the efficiency and the contribution made by these funds to the attainment of Community objectives. It is true that as a result of its meeting in Stuttgart, the European Council has asked the Commission to submit a report and proposals on this matter. Efficient coordination of aid granted through the various European funds should be a normal occurrence within the framework of a

global strategy for structural policy within the Community. As mentioned above, however, no such global strategy exists, and the Council is therefore urged to take the requisite decisions. It goes without saying that in coordinating the European structural funds, borrowing and lending operations must also be considered within a Community framework. As the Committee on Economic and Monetary Affairs stated in its previous opinions, borrowing and lending operations are the appropriate instrument for the pursuit of a European structural policy. In this context, it would refer to the observations it made in its opinion on the 1983 draft budget.

## Conclusions:

### 7. The Committee on Economic and Monetary Affairs

- a. Notes with regret that, following the failure of the Mandate of 30 May, the draft budget, as in previous years, shows hardly any trace of a genuine common economic and industrial policy;
- b. Stresses, however, that, with a view to economic recovery and the requisite improvement of the competitive position of European industry, the size of the European market as a whole must be exploited to the full and that national policies must be replaced by or in suitable areas integrated into European policy;
- c. Sees this budget as a transitional budget in the light of the decisions on policy changes and on an increase in own resources which were promised by the European Council in Stuttgart and which should be taken in Athens in December this year; urges the Council and national governments to summon up the political will to establish a European policy in sectors where this will benefit efficiency and to allocate to the Community the own resources necessary for this purpose;
- d. Draws attention to the priorities established by Parliament in its resolution of 9 March 1983 on the guidelines for the budgetary policy of the Communities for 1984, which stated that in the first instance, the Community's budget must concentrate on financing specific measures providing direct and indirect investment support as regards both manpower and the economy so as to strengthen the competitive position of undertakings and thus combat unemployment effectively and permanently; considers in principle that in the light of this priority established by Parliament, the meagre appropriations which were entered in the preliminary draft budget and which were cut by the Council in the draft budget must be reinstated;
- e. Points out, however, that some substantial progress can be made towards a European economic, monetary and industrial policy even without this having severe budgetary repercussions; urges the Council, therefore, to take at least those decisions where the lack of own resources does not form an obstacle;
- f. Calls for an optimum use of resources available by coordination of the aid granted by the various structural funds and the use of this to attain Community objectives.



the European Communities for the financial year 1983 and the preliminary draft budget and the draft budget for the Financial year 1984 (in ECU)

Item	Heading	Appropriations 1983		Appropriations Preliminary Draft		Appropriations Draft 1984	
		CA	PA	CA	CP	CA	PA
650	Contribution to the ECSC for social measures in connection with the restructuring of the steel industry Non-differentiated appropriations	50,000,000	50,000,000	110,000,000	110,000,000	p.m. 50,000,000 <sup>1</sup>	p.m. 50,000,000 <sup>1</sup>
7335	Information technologies - Esprit <sup>2</sup>			253,000,000	48,000,000	p.m. +90,000,000 <sup>1</sup>	p.m. +45,000,000 <sup>1</sup>
	CHAPTER 77						
7702	Community operations for the development of data processing Differentiated appropriations	p.m. +4,000,000 <sup>1</sup>	4,000,000 +1,500,000	22,000,000	10,000,000	p.m. +22,000,000 <sup>1</sup>	2,000,000 <sup>1</sup> +8,000,000
771	Operation in the field of new information technologies						
7710	Community operations for developing microelectronics technology Differentiated appropriations	p.m.	9,000,000	p.m.	11,000,000	p.m.	9,000,000
7711	Inter-institutional information systems Differentiated appropriations	3,950,000	3,200,000	7,385,000	6,135,000	6,000,000	6,000,000
7715	Community operations in the telecommunications field Differentiated appropriations			p.m.	p.m.	p.m.	p.m.

<sup>1</sup>Chapter 100

<sup>2</sup>Preliminary draft budget, item 7310

Appropriation for economic and monetary policy entered in the general budget of  
the European Communities for the financial year 1983 and the preliminary draft  
budget and the draft budget for the Financial year 1984 (in ECU)

Item	Heading	Appropriations 1983		Appropriations Preliminary Draft 1984		Appropriations Draft 1984	
		CA	CP	CA	CP	CA	CP
7718	Studies on new information technologies Non-differentiated appropriations	1,500,000	1,500,000	2,250,000	2,250,000	750,000	750,000
772	Community strategy on information technology						
7730	Preparatory measures for the Espirt programme Non-differentiated appropriations	11,500,000	7,500,000	p.m.	4,000,000	p.m.	4,000,000
7733	Action plan for information technologies Non-differentiated appropriations			4,500,000	4,500,000	4,000,000	4,000,000
774	Industrial redevelopment <sup>2</sup> Non-differentiated appropriations	121,000	121,000	3,000,000	3,000,000	100,000	100,000
775	Monitoring application of certain steel industry measures Non-differentiated appropriations	7,000,000 + 6,056,000 <sup>1</sup>	7,000,000 + 6,056,000 <sup>1</sup>	17,490,000	17,490,000	7,000,000 + 10,056,000 <sup>1</sup>	7,000,000 + 10,056,000 <sup>1</sup>
776	Economic and social studies provided for in Article 46 of the ECSC Treaty Non-differentiated appropriations. <sup>3</sup>	979,000	979,000	1,983,000	1,983,000	900,000	900,000
7760	Studies provided for in point 1 of the third paragraph of Article 46 of the ECSC Treaty Non-differentiated appropriations	77,000	77,000	85,000	85,000	70,000	70,000

Chapter 100

Item 7763 in 1983 budget

Item 7763 in the 1983 budget has now become Article 775 and

Appropriation for economic and monetary policy entered in the general budget of  
the European Communities for the financial year 1983 and the preliminary draft  
Budget and the draft budget for the Financial year 1984 (in ECU)

Item	Heading	Appropriations 1983		Appropriations Preliminary Draft 1984		Appropriations Draft 1984	
		CA	CP	CA	CP	CA	CP
7761	Studies provided for in point 2 of the third paragraph of Article 46 of the ECSC Treaty Non-differentiated appropriations	110,000	110,000	121,000	121,000	100,000	100,000
7762	Studies provided for in point 3 of the third paragraph of Article 46 of the ECSC Treaty Non-differentiated appropriations	715,000	715,000	800,000	800,000	660,000	660,000
7764	Studies provided for in point 5 of the third paragraph of Article 46 of the ECSC Treaty Non-differentiated appropriations	77,000	77,000	85,000	85,000	70,000	70,000
7765	Financial analyses and assessments in the iron and steel sector Non-differentiated appropriations (new)			900,000	900,000		
777	Specific industry measures						
7770	Textile-clothing industry information Non-differentiated appropriations	p.m.	p.m.	-	-	-	-
7771	Mineral raw materials Differentiated appropriations	p.m.	p.m.	3,000,000	600,000	+ p.m. 2,000,000 <sup>1</sup>	+ p.m. 500,000

<sup>1</sup> Chapter 100

Appropriation for economic and monetary policy entered in the general budget of  
the European Communities for the financial year 1983 and the preliminary draft  
budget and the draft budget for the Financial year 1984 (in ECU)

Item	Heading	Appropriations 1983		Appropriations Preliminary Draft 1984		Appropriations Draft 1984	
		CA	CP	CA	CP	CA	CP
7772	Development of a Community strategy for the machine-tool industry Non-differentiated appropriations	p.m.	p.m.	600,000	600,000	500,000	500,000
7777	Promotion of measures in favour of small and medium-sized enterprises Non-differentiated appropriations	p.m.	p.m.	p.m.	p.m.	p.m.	p.m.
7779	Year of the Craft industry and the small and medium-sized undertakings Non-differentiated appropriations	750,000	750,000	100,000	100,000	p.m.	p.m.
778	Studies on industrial guidelines Non-differentiated appropriations	500,000	500,000	795,000	795,000	400,000	400,000
779	Community projects concerning the internal market						
7790	Harmonization of industrial laws Non-differentiated appropriations	800,000	800,000	1,200,000	1,200,000	700,000	700,000
7791	Introduction of an information system for technical standards and regulations Non-differentiated appropriations			p.m.	p.m.	p.m.	p.m.
7795	Safety of car occupants Non-differentiated appropriations	-	-	200,000	200,000	p.m.	p.m.

Appropriation for economic and monetary policy entered in the general budget of  
the European Communities for the financial year 1983 and the preliminary draft  
budget and the draft budget for the Financial year 1984 (in ECU)

Item	Heading	Appropriations 1983		Appropriations Preliminary Draft 1984		Appropriations Draft 1984	
		CA	CP	CA	CP	CA	CP
7503	CHAPTER 75 INFORMATION MARKET AND INNOVATION Community activities in the specialized information sector.			5,685,000	2,000,000	p.m.	p.m.



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## ABBREVIATIONS

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CERT	Committee on Energy, Research & Technology
PDB	Preliminary Draft Budget
DB	Draft Budget
FP	Framework Programme (European Scientific and Technical Strategy Framework Programme, 1984-1987)
ESPRIT	European Strategic Programme for Research and Development in Information Technology
JRC	Joint Research Centre
JET	Joint European Torus



## I. THE GOAL FOR 1984

1. The Draft Budget for 1984 increases the gulf between declared Community strategy in energy, research and technology and the budgetary measures.
2. It must be a major goal of the budgetary procedure this year to reverse this trend. A closer link between expenditure and Community objectives is the declared aim of the Committee on Energy, Research and Technology.
3. This Committee cannot operate in isolation. There is a projected decrease in revenue for 1984, and an increasing proportion is allocated to agriculture. Other Community policies are therefore caught in this closing financial trap.
4. The decrease in revenue following from the reduction in economic activity in the Community, and in these circumstances the budgetary priorities set out by the European Parliament when it adopted the SCRIVENER report<sup>1</sup> on budgetary guidelines for 1984 - namely, reducing unemployment and stimulating productive investment - become more urgent than ever.
5. To this end, the Committee on Energy, Research and Technology has concentrated its budget proposals on those items of expenditure which contribute directly towards the achievement of these objectives.

## II. GENERAL BUDGETARY CONSIDERATIONS FOR 1984

6. The areas of the 1984 Draft Budget of interest to this Committee have to be seen against the background of two major factors affecting the budget as a whole.
7. First, there is the question of the future financing of the European Community. The problem of the narrowing gap between expenditure estimates and revenue estimates from own-resources is now more acute than ever. A new factor has entered the picture this year. The Commission and the Council have actually differed in their estimate of the revenue of the Communities in 1984. The Commission's estimate in the Preliminary Draft Budget was 25.528.000 ECU. The Council's estimate in the Draft Budget was 24.848.000 ECU - a reduction of 680 million. It may well be prudent to accept the less optimistic figure.

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<sup>1</sup>Doc. 1-1321/82, OJ No. C96, 11.4.1983

8. It has been estimated that the figures for revenue and expenditure agreed, after much difficulty, by the Council on 22 July 1983 imply the setting of a VAT rate of approximately 0.97 or 0.98%<sup>2</sup>. At the time of writing it is understood that the margin of manoeuvre available to Parliament as a whole is only 326 million ECU in payment appropriations.

9. When one considers that the commitment appropriation for the ESPRIT programme alone was cut by 163 million ECU in the Draft Budget (253 million to an appropriation of 90 million entered in Chapter 100), the importance of seeing the energy, research and technology aspects of the budget against the general budget situation is clear.

10. According to the remarks in the Draft Budget,

"The ESPRIT programme is designed to help restore the competitiveness of the Community's information technology and by co-financing of cooperative research and development projects up to the pre-commercial stage."

11. Yet the commitment appropriation agreed by the Council for ESPRIT is less than, for example, the 114 million ECU which the Community is going to spend next year on storing surplus wine.

12. The situation would be completely intolerable but for the hope that when the European Council meets in Athens in December it will agree to a thoroughgoing reform of Community financing.

13. If agreement on this were to be reached in Athens, it would be too late to draw up a budget for 1984 based on the new system. Therefore it may be the case that Parliament will reluctantly have to live with the present unsatisfactory state of affairs for the coming budget year.

14. However, there must be an understanding that 1984 is the last year in which Parliament will tolerate a situation which inevitably leads to arbitrary and piecemeal interference in valuable Community policies and programmes.

15. The second aspect of the general budget situation which is relevant to the concerns of CERT (Committee on Energy, Research and Technology) is the question of the budgetary compensation for the United Kingdom and Germany agreed on by the European Council at Stuttgart on 17-19 June 1983.

<sup>2</sup> Agence Europe, 22/23 July 1983, p. 6

16. The Council proposes that a proportion of this compensation be paid via the energy budget. The Council has entered a non-differentiated appropriation of 456 million ECU on Line 707 of the energy policy chapter, Chapter 70. This was the line used for the same purpose in the two 1983 supplementary budgets, which aroused misgiving in Parliament. The 456 million ECU in Chapter 73 of the 1984 draft budget is specifically stated by the Council to be non-compulsory expenditure.

17. This matter will be dealt with in the "Energy" section of this opinion.

### III. PARLIAMENT'S GUIDELINES FOR 1984

18. The budgetary procedure for 1984 has been marked by an innovation on the part of the European Parliament. This year, in 1983, the Parliament began its involvement in the process of drawing up the budget of the European Communities for 1984 at an earlier stage than on previous occasions.

19. Thus it was in February that the general rapporteur on the 1984 budget, Mrs SCRIVENER, presented to the Committee on Budgets her draft report on the guidelines of the budgetary policy of the Communities for 1984. This was subsequently adopted by the European Parliament during its March part-session.

20. Meanwhile the Committee on Energy, Research and Technology had appointed its draftsman of opinion (on 27 January) and, on 15 February had adopted an opinion on the SCRIVENER report. It was presented to Parliament simultaneously with the SCRIVENER report at the March part-session.

21. The SCRIVENER report gave first priority to financing concrete action to provide direct or indirect support to investment so as to further the fight against unemployment. It also attached great importance to the struggle against hunger in the world.

22. To achieve the first of these two objectives, the SCRIVENER report urged, first of all, the stimulation of productive investment with a job-creating effect, and, second, support for certain activities considered essential to economic development. These were listed as follows: new technologies and innovation, growth industries, research, energy strategy and transport infrastructure.

23. In its opinion, the Committee on Energy, Research and Technology welcomed the identification of these priorities, expressing its firm belief that an extension of Community activity in the field of energy can make a real contribution towards the reduction of unemployment, and that, further, increased resources applied to energy strategy, research and new technologies and innovations will generate additional job opportunities because of the new forms of economic activity created.

24. The conclusions of the Committee's opinion comprised 3 objectives which it expected the Commission to follow in its Preliminary Draft Budget for 1984. These were:

- to advance the energy strategy development already under way ;
- to structure the research proposals along the general lines of the Framework Programme 1984-1987<sup>3</sup>;
- to reinforce the budget provisions which supported the energy sector in developing countries.<sup>4</sup>

25. In calling for the development of energy strategy, the Committee particularly had in mind the view it expressed in connection with Supplementary Budget No. 1 for 1983 that the special measures in the energy sector proposed therein must be the base for the longer term development of a true Community energy strategy. It recalled the demand it made at the time for a commitment from the Commission and the Council to this effect.

26. This is an extremely important point. When Supplementary Budget No. 1 was adopted, and expenditure on special measures in the energy sector was thereby approved, the question arose whether this was just a welcome handout to the recipients, or whether the spending involved represented a genuine contribution to Community energy strategy. On that occasion, the Committee was inclined to give the benefit of the doubt to the latter interpretation. However, it made it clear that its complaisance could not be counted on if any attempt was made in the future to put such special measures on a routine basis, irrespective of energy policy requirements.

27. Above all, the Committee stressed "that the uncertain state of the energy market reinforces and extends the need for a Community energy policy".

<sup>3</sup>-----  
<sup>3</sup>COM (83) 865 final

<sup>4</sup>See the ADAM opinion in the SCRIVENER report (Doc. 1-1321/82)

28 Again, this consideration has proved highly relevant to subsequent developments. It is concern about the present and future state of the energy market which has motivated the Commission in its most recent Communications on energy strategy, notably that concerning the five-year programme on energy and energy research.

#### IV. ENERGY

29. The main issues arising for CERT from Chapter 70 of the Draft Budget may be discussed under the following headings:

- (i) Rational use of energy
- (ii) Demonstration projects
- (iii) Solid fuels strategy
- (iv) Article 707
- (v) Research

30. Before going into detail on these issues, it will be useful to recall the background to the Community's current energy strategy.

31. The main object of Community energy policy remains the same: to reduce dependence on imported supplies of oil. The circumstances surrounding the pursuit of that objective have changed, however.

32. The most obvious change has been in conditions in the oil market. A drop in demand has led to a drop in price.

33. The drop in the price of oil has removed much of the incentive to pursue the energy-saving and energy-substitution measures that are essential if the Community is to continue to reduce its dependence on imported oil.

34. The Commission has issued warnings about the dangers of complacency during the present phase in the oil market. This warning is made particularly strongly in a Communication to the Council which the Commission issued on 15 June 1983 entitled "Energy and Energy Research in the Community: A Five-Year Programme of Action and its Financing"<sup>5</sup>, on which Mr SELIGMAN is rapporteur for the Committee on Energy, Research and Technology. In this document, the Commission points out that the industrialised countries are only enjoying a "breathing space". It is up to them to put it to good use.

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<sup>5</sup>COM (83) 315 final

35. The above document should be read in conjunction with another recent Communication from the Commission to the Council, published on 2 June 1983, "Community Energy Strategy: Progress and Guidelines for Future Action"<sup>6</sup>. Part of this document charts progress towards the Community's energy strategy objectives for 1990, and the record is in many ways a positive one.

36. The Commission is concerned that, in the present climate, Member States will not keep up the efforts necessary to sustain this kind of progress. Two important points should be made about this.

37. The first is that the Commission's optimistic assessment of progress to date, and the extent to which Member States are on course for Community objectives, depend to a very large extent on information and estimates supplied by the Member States themselves. The possibility exists that the estimates which have been provided are over optimistic.

38. In evaluating any optimistic assessment of recent and future trends, Parliament is bound to bear in mind the fact that the economies of the industrialised countries have been passing through a period of economic depression. Looking back over the past few years, one is entitled to ask how much of the reduction in oil needs has been due to prudent husbandry, and how much has simply been the direct result of a decline in economic activity. A company which is far-sighted enough to introduce energy saving measures certainly contributes to a decline in oil consumption - but so does a company that goes bankrupt.

39. To the extent that the decline in oil consumption has been due to a decline in economic activity, oil consumption will of course rise as economic activity picks up. Unless really serious steps have been taken meanwhile to restructure energy supply and demand in the Community, the oil price will go up again, the Community will again become vulnerable to the twitches of the hand on the tap, and inflation will soar.

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<sup>6</sup>COM (83) 305 final

40. There is another way in which the circumstances surrounding the Community's efforts to achieve its medium-term energy policy goals have changed. The obstacles in the Community's path have multiplied under the momentum of its own inertia. The Commission, it is true, has been very active in drawing up proposals for Community measures designed for further Community energy objectives. However, over the past two years practically none of these have been adopted by the Council.

41. There is a lesson here to be learned from experience in the research policy sector: it is the lesson of the ill-fated Super-Sara project. This showed that the mere fact of postponing a decision eventually becomes a factor in the decision itself. Psychologically, there is a tendency to believe that by procrastinating one will increase one's options. In practice, the reverse is usually true.

42. It is in awareness of this that the Commission has produced its five-year programme on energy and energy-saving, as well as the various separate programmes on which the European Parliament has recently been consulted, or which are before it at the present time.

(i) Rational use of energy

43. By "rational use of energy" the Commission means using energy in such a way as to permit a) general energy economies and b) economies in the consumption of imported fuels, particularly oil.

44. The Commission has drawn<sup>7</sup> up a proposal for financing support to investment in the rational use of energy, which has already been considered by Parliament (PURVIS report, adopted 12 April 1983<sup>8</sup>). Indeed the Commission accepted an important amendment proposed by Parliament adding a fifth category, relating to energy savings in buildings and industry, to those due to be eligible for assistance. The Council has considered the Commission proposal but has so far failed to take a decision on it. This proposal is a vital part of the Community's strategy to promote the rational use of energy, but it is not the whole of that strategy. Rational use of energy is a concept which needs to permeate every area of economic and even social activity in the European Community. The economies which can unquestionably be achieved by the more rational use of energy in factories, homes, transport and elsewhere would release very significant sums of money for direct, productive investment.

<sup>7</sup>COM (82) 24

<sup>8</sup>OJ No. C128, 16.5.1983, p34

45. At the same time, rationalising the use of energy often requires investment in special apparatus, building and insulation products and materials, and so on. It also requires manpower. In short, efforts to rationalise energy use in Europe have already led to the creation of whole new industries, and this trend must be encouraged.

46. In 1981, the ST-GEOURS<sup>9</sup> report stated that the progressive adoption of energy-saving policies by the Member States could create 300.000 - 500.000 jobs up to and beyond 1985 if the Community as a whole decided to invest 9.000m ECU a year in the rational use of energy.

47. It has further been estimated that investments in energy savings and measures for substitution in the Community can be evaluated in the range of 100-200 billion ECU from now until 1990<sup>10</sup>.

48. To give one specific, sectoral example, the St. Geours report noted in 1981 that the Netherlands national programme for the insulation of all housing in that country by 1990 would require investment running at over 363 million ECU per year.

49. It is therefore essential that the Council should quickly adopt the Commission's proposal on aid to investment in the rational use of energy.

50. It is also essential that a suitable appropriation be entered in Article 705 of the 1984 Budget to finance the activity.

(ii) Demonstration Projects

51. Parliament has always attached great importance to the Demonstration Projects programme, which was started in 1978. The basic Regulations, Nos. 1302 and 1303/78, had expired by the end of 1982, and therefore in the course of 1982 the Commission published proposals for new regulations, continuing the programme, and indeed adapting and expanding it in the light of experience.

52. As has happened on so many occasions in the past, this led to a dispute between Parliament and the Council over the manner in which expenditure on the Demonstration Projects programme should be fixed, as well as about other matters arising from the Commission's proposals.

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<sup>9</sup>XVII/052/81 final, 15 April 1981

<sup>10</sup>Working Document No. 1 on the impact of energy strategy on productive investment and employment (PE 83.997/I)



53. Because the Member States could not agree among themselves about the desirable level of financing for the new five-year programme as a whole, the Council did not take a decision on the Commission's proposals, which had been published in August 1982<sup>11</sup>, until 14 March 1983, and even then it was only a partial decision. To avoid the issue of the multiannual funding, the Council decided to enact the two new Regulations for a period of one year only (1983) - on the basis of the 113m ECU already available from the 1983 Budget, Supplementary Budget No. 1 1983 and carry-overs from 1982, while it continued to try to reach internal consensus on the future of funding of the programme.

54. Parliament had already given its opinion on the Regulations in the NORMANTON report<sup>12</sup>, which was adopted on 29 October 1982<sup>13</sup>. In its Resolution Parliament stipulated that if the Council departed from the Commission's texts, it would automatically invoke the conciliation procedure with the Council.

55. This procedure was duly invoked, and a conciliation meeting was held on 22 June 1983. This resulted in the Council agreeing to a reference to the multiannual character of the Demonstration Projects programme being inserted in the preamble of the Regulations. Parliament and the Council also agreed a joint form of words on the question of funding, which, in the view of Parliament's delegation, safeguarded the budgetary prerogatives of the European Parliament. Parliament received an assurance that the Council would do everything in its power to reach agreement on regulations enacting the remainder of the multiannual programme before the end of 1983.

56. Against this background, it is disappointing to note that in the Draft Budget the appropriation originally envisaged for demonstration projects by the Commission has been severely cut by the Council.

57. The budget lines in question are Items 7020, 7021, 7022, 7031, 7032, 7033, 7034, 7035 and Article 704, the Community energy-saving programme. The commitment appropriations in the Preliminary Draft budget for these lines totalled 126m ECU, comprising 96m for the alternative energy sources lines, and 30m for energy-saving. In the draft budget the provision is reduced to a global reserve of 70m ECU, entered in Chapter 100.

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<sup>11</sup> COM (82) 458 final and COM (82) 555 final

<sup>12</sup> Doc. 1-670/82

<sup>13</sup> OJ No. 304, 22.11.1982, p263

58. This reduced level does not augur well for the chances of the total scale of the programme, on a multiannual basis, measuring up to what the Commission considers essential. Accordingly, Parliament should increase the provision here.

59. At the same time it should be vigilant to ensure that the Council does not intervene directly or indirectly to impede the execution of the programme by the Commission at this higher level, contrary to the principles agreed during the conciliation procedure.

(iii) Solid fuels strategy

60. The Commission entered commitment appropriations totalling 460m ECU in the Preliminary Draft Budget for three new operations concerning solid fuels: (a) 60m for a new coking coal arrangement in the iron and steel industry (Item 7023) (b) 300m for aid to investment for the production of solid fuels (Item 7024) and (c) 100m (in Chapter 100) for operations relating to coal stocks.

61. The Council entered only token entries for these items in the Draft Budget, with nothing in Chapter 100.

62. This means that no impetus at all is being given to the Commission's solid fuels strategy. Parliament cannot accept this. It is clearly coherent with the aim of enhancing the Community's self-sufficiency in energy supplies to promote the exploitation of indigenous Community energy resources.

(iv) Article 707

63. The use of Line 707 in the 1983 Supplementary Budgets to affect the Budget rebate to the United Kingdom and Germany for 1982 was subject to the criticism that, although the money was being spent on energy projects, these projects were being chosen on an ad hoc basis and would in any case have received national financing if the Community had not been involved.

64. In view of the difficult circumstances in which the budgetary compensation for 1982 had been negotiated, there was a measure of reluctant willingness in Parliament to allow the expenditure envisaged, at any rate under Supplementary Budget No 1 for 1983, to go through, on the understanding that resort to this device did not become habitual.

65. In considering the draft budget for 1984, CERT could have decided to reduce Article 707 to a pm, or even delete it, since the appropriation against that line was designated, correctly, as non-compulsory expenditure. It would then have been possible to place an appropriation, or appropriations, of equivalent size against existing or new lines where the money could have furthered Community policy and at the same time benefited the two Member States concerned.

66. This is a course of action to be borne in mind if this kind of situation recur. CERT has a responsibility to ensure, insofar as it lies within its powers, that Chapter 70 of the Community budget is used in a proper manner.

67. It is not within the competence of CERT to pass judgement on the merits of the conclusions reached at the European Council meeting in Stuttgart on the general question of budget compensation. This consideration, however, has to be balanced against the need for the committee to exercise its proper responsibilities with respect to the energy budget freely and correctly.

68. Accordingly, in the present circumstances, the Committee believes that the appropriation should be left intact under Article 707, but that an addition should be made in the corresponding "Remarks" column insisting that this money be devoted to the pursuit of genuine Community policy goals.

(v) Research

69. The budget year 1984 is one of exceptional importance for the research policy of the Community. The reasons for this may be summarised under three headings:

- (i) The Framework Programme
- (ii) ESPRIT
- (iii) The Joint Research Centre Programme

(i) The Framework Programme

70. The Commission's proposal for a European Scientific and Technical Strategy Framework Programme 1984-1987 was published in December 1982. The Framework Programme has therefore formed the background to discussion of Community research policy throughout 1983.

71. The idea of setting a coherent framework for research policy was an important innovation. It was welcomed in the report drawn up for CERT by Mr SZLZER<sup>14</sup>. The Council has so far been less wholehearted than could have been hoped, however, in endorsing the principal goal of the FP. This was to smooth out and speed up the EC decision-making process by getting a sufficiently firm degree of commitment to the FP as a whole by the various institutions to render the subsequent decisions on specific programmes unproblematical. The hope was to get away from the arbitrariness and congestion of a system in which each decision on a new detailed proposal re-opened the argument on first principles.

72. As has already been noted above<sup>15</sup>, there was specific reference to the FP in CERT's opinion to the Committee on Budgets on the SCRIVENER report on the guidelines for the budgetary policy of the Communities for 1984.

73. In that opinion, CERT said it expected the Commission, in the PDB,  
 "to structure the research proposals along the general lines of the overall European Scientific and Technical Strategy Framework Programme 1984-1987<sup>16</sup> which reflects the conclusions of the LINKOHR report<sup>17</sup>."

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<sup>14</sup> PE 83.906

<sup>15</sup> Paragraph 24

<sup>16</sup> COM (82) 865 final

<sup>17</sup> Doc 1-654/82

74. In the event, the Commission decided on a new presentation of Chapter 73 of the budget. This grouped activities in coherent categories which made it easier to understand the relationship between the budgetary proposals as such and the direction of Community strategy.

75. The Council, however, separated the different activities out. The loss in clarity is not excessively great, since the separated items succeed one another and are given headings which contain a common element which helps to identify them.

76. There is, however, a loss of flexibility to the Commission, which was in effect seeking to turn Articles into Items, giving itself more room for manoeuvre as regards transfers.

77. Although the Council's nomenclature provides more obvious safeguards for the prerogatives of the Budgetary Authority, the Commission's system does not necessarily curtail these in a serious way, since in any year it would be open to either arm of the Budgetary Authority to do what the Council has now done and restore the old regime.

78. In the present case, the Council has split up the items so as to be able to delete the appropriation for every new shared-cost programme. Thus, for the Council, the main concern was not a theoretical principle, but a practical expediency.

(ii) ESPRIT

79. There should by now be no need to enlarge on the importance of the European Strategic Programme for Research and Development in Information Technologies. It covers five priority research areas: advanced micro-electronics, software technology, advanced information processing, office systems and computer-integrated manufacturing.

80. Decisive and effective action by the Community in these areas is crucial to Europe's chances of matching its rivals in world markets. Efforts here clearly fall within the priority area set by the SCRIVENER report: the fight to create jobs and encourage productive investment.

81. The Commission entered a commitment appropriation of 253m ECU in the PDB. In the Draft Budget, the Council cut this to 90m, placed in Chapter 100.

82. ESPRIT has been welcomed by undertakings active in the relevant fields. In view of the good prospects for its success it would be deplorable if it was not adequately funded.

(iii) The Joint Research Centre Programme

83. The year 1984 is the first in a new multiannual research programme for the Joint Research Centre. The new programme, which will run from 1984 to 1987, is the subject of a report being drawn up for CERT by Mr LINKOHR.

84. Apart from the question of staffing, the Council has entered appropriations of comparable magnitude to those in the PDB. However, these are placed in Chapter 100 - both commitments and payments. This course of action is said to have been adopted 'pending a Council decision' on the research programme. It is to be hoped that such a decision will be made quickly, or the JRC will be placed in an impossible position.

85. The Commission requested 38 new posts for the JRC. The Council has accorded none.

86. The draftsman of the present opinion has come to the conclusion that the seriousness and complexity of staffing questions at the JRC demand that the Committee on Energy, Research and Technology take steps to prepare an exhaustive and analytical own-initiative report on the subject, as an early priority for its work in the new Parliament after direct elections in 1984.

87. As well as the problem of the total size of the JRC staff, other questions should be examined. These would include (a) matters which have been the subject of representations to CERT by staff organisations at the JRC

establishments, and (b) the proportionate distribution of staff as between the four JRC establishments.

#### The status of new programmes

88. Having concluded this brief summary of the major innovations in Community research policy for 1984, it will be appropriate to consider certain points arising from other new programmes which the Commission put into the PDB.

89. In the DB, there are numerous examples of new shared-cost programmes in Chapter 73 for which the appropriation was converted into a token entry by the Council. These were both entirely new programmes, and renewals of existing activities.

90. Whatever reasons may have actuated the Council's decisions on these items, the fact remains that the Commission's case for many of these new programmes was weakened by the lack of a legal base.

91. The draftsman of the present opinion drew attention to the comparatively large number of proposed research activities for which the corresponding legislative act had not been passed at the time when CERT was being asked to consider the PDB in a working document<sup>18</sup>.

92. If proposals for Community action in a given year all arrive in a rush at the European Parliament during the second part of the preceding year, it is impossible for Parliament's committees to give them the full and detailed consideration which it is their responsibility to provide. This is inefficient, does not do justice to the rights of the electorate, and amounts to an infringement of Parliament's legislative prerogatives.

93. The Commission should realize that, by the late submission of legislative proposals to Parliament, it places itself in an invidious position. It would be unwise to take for granted Parliament's willingness to defend new programmes during the budgetary procedure, if the relevant aspects of the legislative procedure have not been treated in a proper manner.

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<sup>18</sup>Working Document No. 4 (PE 83.997/IV)

94. In the draft budget, the Council has used the lack of a legislative act as a reason for only making a token entry in respect of numerous new items. Although there is no guarantee that appropriations would have been placed on all these lines if a legislative act had existed, it would have been prudent for the Commission to have covered itself by submitting proposals at an earlier stage.

95. A word must be said about certain existing activities, some of them nearing the end of a programme, for which the Council has made cuts in the payment appropriation.

96. Parliament may well accept the contention of the Commission that many of these cuts are unrealistic and will prevent the Community from meeting obligations.

97. The Commission has submitted figures to the draftsman which show that the situation could be retrieved by a reallocation of the DB payment appropriations among the items in question, plus an increase in the total appropriations which would, however, be substantially less than the total cut imposed by the Council.

#### Research cooperation with developing countries

98. One of the two priorities for the 1984 budget set by the SCRIVENER report was the fight against hunger in the world. Research cooperation has both a direct and an indirect role to play here. Promoting agricultural research has a direct effect. There is an indirect effect in many other types of research, which can enhance the development and prosperity of the countries concerned in different ways.

99. Relevant items here are 7330 (research linked to development - science and technology for development), 7331 (development of endogenous research capacity in developing countries), and 7359 (research and development activities in the context of cooperation agreements with third countries).



100. In the DB, the Council cut the commitment appropriation for 7330 by almost 40%, and reduced the other two items to a token entry.

101. In the PDB the Commission's environment programme (7328) included a sub-programme on desertification. The Council excised this.

## V. CONCLUSIONS

102. The Committee on Energy, Research and Technology arrives at the following conclusions with regard to the 1984 budget.

### General Budgetary Situation

103. The allocation of resources in money and in staff under the budget of the European Community must reflect, as accurately as possible, the policy priorities which the Community has set itself in its various fields of activity. It is not solely an accounting exercise which can be treated in isolation from the Community's plans and needs. These considerations will guide the Committee on Energy, Research and Technology in its approach to the Budget for 1984. While recognising the budgetary and financial difficulties which beset the Community, the Committee does not believe that it will be any easier to find a constructive, long-term solution to these problems if Europe's decision-makers lose sight of the goals towards which the Community is aiming and the strategies to which it must adhere in order to attain them.

### Chapter 70

104. Given the foregoing general considerations, it becomes more than ever difficult for the Committee to accept that large sums should be expended by the Community, under its Budget, for purposes which do not directly further Community objectives.

105. For this reason, the Committee recommends the solution to the problem of Article 707 which has already been set out in paragraph 68 above.

106. For more detailed indications regarding the Committee's allocation of priorities in Chapter 70, especially as regards the need to enter adequate appropriations for the Demonstration Projects programme and for encouraging investment in the Rational Use of Energy, please refer to the amendments tabled by the draftsman on behalf of the Committee (PE 86.118 Am.1-47).

### ESPRIT

107. As far as the Community's activities in the sphere of research and technology are concerned, ESPRIT is undoubtedly one of the top priorities. A programme of this kind is nothing unless it is promoted and launched with all the vigour and decisiveness which the Community can command. This fact is already widely accepted both inside and outside the Committee on Energy, Research and Technology. What reasons the Council may have had for making its very large cut in the commitment appropriation for ESPRIT - from 253m ECU in the PDB to 90m (in Chapter 100) in the DB - is unclear. The same may be said of the Council's action in cutting the planned staff complement for ESPRIT from 91 to 0. What is certain is that this is too important a matter to be allowed to become a political football. The budgetary authority must give resolute backing to an undertaking which promises to be vital for the future economic development of the Community.

### Research

108. At the same time, the Community's indirect action in the research sphere, which suffered severe cuts in the draft budget, must not be sacrificed, even if economies have to be accepted.

109. As regards direct action, the inauguration of a new programme for the Joint Research Centre offers an opportunity towards a constructive re-definition of its role in the wake of the Super-Sara affair.

### Research staff

110. It is recommended that the Committee on Energy, Research and Technology give consideration to preparing an own-initiative report on staffing question relating to the European Community's research activities, as an early priority for its work after the elections to the European Parliament in 1984.

Opinion of the Committee on External Economic Relations.

Draftsman : Sir Jack STEWART-CLARK

On 19 January 1983 the Committee on External Economic Relations appointed Sir Jack Stewart-Clark draftsman.

It considered the draft opinion at its meeting of 27 September 1983 and adopted it unanimously.

Present : Mrs Wieczorek-Zeul, acting chairman; Mr van Aerssen, vice-chairman; Sir Jack Stewart-Clark, draftsman; Mr Almirante, Mr Blumenfeld, Mr Cohen (deputizing for Mr Pelikan), Mr Ferrero (deputizing for Mrs Baduel Glorioso), Mr Gauthier (deputizing for Mr Bord), Lord Harmar-Nicholls (deputizing for Mrs Hooper), Mr Jonker, Mr Mommersteeg, Mrs Pauwelyn (deputizing for Mr Damseaux), Mr Pesmazoglou, Mrs Pruvot, Mr Radoux, Mr Seeler, Mr Spencer, Mr Vankerkhoven (deputizing for Mr Majonica) and Sir Fred Warner.

1. The Committee on External Economic Relations is aware of the financial restrictions within the Community and has decided to table only three amendments (the one on staff not included).

2. The first amendment concerns relations with Latin America which have been seriously severed during the past year. Apart from the crisis in the South Atlantic there has existed a traditional malaise between the two partners which must be attributed to problems of inadequate understanding of each other. For these reasons and taking into consideration the actual political importance of the subcontinent, it has been agreed upon that action should be undertaken to improve relations between the Community and Latin America. The setting-up of a Europe - Latin America Institute falls within these aims. The Institute is to have organisational, advisory, secretarial and research functions for the benefit of politicians, diplomats, journalists, officials, businessmen, professors and researchers, etc.

The Committee on External Economic Relations has supported the establishment of such an institute in its resolution on the economic and commercial relations between the European Community and Latin America (Doc. 1-580/83).

3. The second amendment is very important for European industry as it envisages measures for improving knowledge of the Japanese market. It is an exceptional amendment insofar as it proposes to decrease the payment appropriations. The Commission would, however, like to see the commitment appropriations increased. This enables the Commission to use the money over a period of more than only one year, thereby taking into account that the trainees are sent out to Japan for 18 months. Apparently the Council does not want to commit itself for more than one year.

4. The third amendment, in which an extremely modest sum is requested, is intended for export promotions of the Community as such. In this respect it is comparable with the one on Japan. The money will mainly be used to support European enterprises which want to take part in trade fairs.

5. As to Article 990 (operations under commercial and economic cooperation agreements with non-Member countries), the Council has agreed to allocate 2.5 million ECU for the year 1984 out of the 3 million ECU asked for by the Commission.

The Committee on External Economic Relations is not proposing to submit an amendment to the Council's cut-back of 500,000 ECU. This will indicate that the four amendments submitted by the Committee take great priority and should, therefore, be passed by Parliament.

6. The fourth amendment concerns the increase of staff within the Commission dealing with the defence of the commercial interests of the Community. This implies in practice, *inter alia*, a strengthening of staff numbers engaged in anti-dumping and the creation of a new division to deal with different aspects of the Community's commercial policy.

7. Finally, the Committee on External Economic Relations would like to draw the attention of the Committee on Budgets to the following matter.

The conditions of employment of Commission officials are laid down in a statute which was originally based on the needs of a home-based staff inside the Community, particularly in Brussels and Luxembourg. ~~THIS~~ system has been gradually adapted with some difficulty to take into account the needs of personnel serving in external delegations far from the normal places of employment.

In 1982, the Commission arranged for a comprehensive review of the conditions of service for staff in external delegations. This review was carried out by a senior official of the diplomatic service of one of the Member States. Although a number of changes and improvements in the Commission's internal procedures have been made, the two most important recommendations on which further action is required in order to remove obstacles to the appointment of personnel to external delegations, are the lowering of contributions by the officials themselves to accommodation in external posts and in increase in the allowances for local education.

The establishment of a fair system of housing and education allowances requires an increase in the operational budget of the Commission in two specific items, item 1143 and item 1002. The Committee on External Economic Relations urges the Budgetary Committee of the Parliament to examine the Commission's proposals in the preliminary draft budget for 1984 in respect of these improvements.

Opinion of the Committee on Regional Policy and Regional Planning.

Draftsman: Mr CHANTERIE

At its meeting of 18 March 1983 the Committee on Regional Policy and Regional Planning appointed Mr CHANTERIE draftsman of the opinion.

The committee considered the draft opinion at its meetings of 20/21 and 27/28 September 1983 and adopted the summary of the opinion at the latter meeting with 11 votes in favour and 3 abstentions.

The following took part in the vote: Mr DE PASQUALE, chairman; Mr CHANTERIE, draftsman; Mr GENDEBIEN, Mr HUTTON, Mr KELLETT-BOWMAN, Mr KYRKOS, Mr Konst. NIKOLAC, Mr O'DONNELL (deputizing for Mr FRIEDRICH), Mr PÖTTERING, Mr Karl SCHÖN, Mr SEAL (deputizing for Mr GRIFFITHS), Mrs BUCHAN (deputizing for Mr TREACY), Mr VERROKEN and Mr von der VRING.

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## I. General observations

1. The examination of the 1984 budget is surrounded by great political uncertainty as regards its future financing. In addition, uncertainty exists as to the structure of the 1984 budget. On the basis of the Council's proposals, farm price support measures account for around 68% of the budget appropriations, which means that the European Parliament's call for restructuring of the 1984 budget in favour of policies serving to reduce unemployment has fallen on deaf ears.
2. A further cause of uncertainty and dissatisfaction lies in the Council's inability to agree on a revision of the ERDF Regulation. Consultations extending over nearly two years have failed to produce a decision.
3. Spending policy under the 1984 budget is subject to further uncertainty in the light of the Commission's memorandum on the rationalization of the CAP and the revision of the Community's structural funds, submitted in response to the Stuttgart mandate. The proposals put forward in the memorandum in regard to the Regional Fund Regulation require detailed analysis by the Committee on Regional Policy and Regional Planning. They are insufficiently precise or specific when it comes to regional aid policy for the 1984 financial year.

Given that the Council does not intend to take a decision on this memorandum until 6 December 1983, the European Parliament finds itself in a rather unenviable position. Although it is consulted by the Council on the 1984 draft budget in August 1983, it is left by that same Council in a state of total uncertainty as regards possible changes in expenditure policy.

4. The opinion of the Committee on Regional Policy and Regional Planning on the 1984 budget must therefore be subject to numerous reservations.

## II. Position of regional aids in the general budget

5. In its opinion on the 1983 budget the Committee on Regional Policy and Regional Planning already pointed to the growing imbalance between richer and poorer regions in the Community. The latest socio-economic data indicate that the situation is continuing to deteriorate. The gap between the weaker and stronger regions is widening.



6. There can be no hope of a reversal of this trend in the absence of corrective measures by the Community and the Member States. Although the proportion of the Commission's general budget devoted to regional measures rose steadily from 1975 (3.2%) to 1981 (9.0%), progress has been arrested since 1982 and the Council's draft for 1984 marks a clear decline in the proportion of appropriations earmarked for the ERDF (7.8%).

COMMISSION'S GENERAL BUDGET 1975 - 1984

relative share of the structural funds and the ERDF (CA):

Commission budget		Structural funds		Regional Fund and other regional policy expenditure	
Year	in 1000 m ECU (CA)	absolute	as %	absolute	as %
1975	6.1	0,8	13,1	0.2	3,2
1976	8.3	1.1	13.2	0.4	4,8
1977	8,8	1,2	13,6	0.4	4,5
1978	12.1	1,4	11,5	0.6	4,9
1979	14.6	2,4	16,4	1.0	6,8
1980	16.1	2,9	18,0	1.1	6,8
1981	18.7	3,6	19,2	1.7	9,0
1982	21.9	4,4	20,1	2.0	9,1
1983	23,9	4,8	20,1	2,2	9,2
1984 (draft)	26.1	4.8	17,9	2.0	7,8

7. It will be seen that in times of reduced budgetary room for manoeuvre the relative importance of the Regional Fund is no more than holding its own or even declining. Like the other Community structural funds, it is being politically and financially sacrificed in the face of the steadily mounting expenditure in the agricultural field.
8. There is no evidence in the Council's draft for 1984 of the restructuring of the budget in favour of expenditure serving to preserve and create jobs, as requested by Parliament. Unless the Council delivers results in December 1983 in regard to budget financing and improvements in the balance of expenditure, Parliament may well reject the Council's draft.

III. Appropriations earmarked for the ERDF (Art. 500 and Art. 510)

9. Since its creation in 1974, the appropriations allocated to the ERDF (including both quota and non-quota sections) have been as follows:

	1975	76	77	78	79	80	81	82	83	(in M ECU)			
										84	84		
										Commission preliminary draft 84/83	Council draft 84/83		
CA	300	500	500	581	945	1165	1540	1759	2010	2500	+ 24,4%	2000	- 0,5 %
PA	150	300	400	525	499	402	869	1075	1259	1500	+ 19,1%	1300	+ 3,2 %

The Council proposes a lower ERDF endowment for 1984 than was entered for 1983. On the basis of the rate of inflation predicted by the Commission for the period 1983/1984 of about 7%, the reduction in real terms in the ERDF compared with the current financial year would amount to 7.5% in commitment appropriations and 3.8% in payment appropriations.

10. In other words, the budget restructuring applied by the Council for 1984 is diametrically opposed to Parliament's recommendations. New, job-creating policies are being cut back instead of expanded.

The draft budget offers no prospect of progress with the Community's regional policy. The Council's political affirmation that the objective of the ERDF is to 'correct the major regional imbalances in the Community'<sup>1</sup> is simply fiction.

<sup>1</sup> See draft general budget for 1984, Volume 4, Title 5, p. 345

11. There is no possibility whatever of achieving a significant improvement in the socio-economic situation of the weak regions in 1984 with such a low appropriation.
12. The predominant function of the Regional Fund is thus, as before, to provide a political alibi. It is supposed to appease those citizens in the weaker regions who are unable to claim their fair share of the Community's prosperity, whilst being seen in the stronger regions as an expression of European solidarity. Failure by the Community to pursue an active regional policy will eventually lead to its political disintegration.
13. The Committee on Regional Policy and Regional Planning therefore considers the reinstatement of the appropriations entered by the Commission under Articles 500 and 510 to be the minimum acceptable. Only in this way will it be possible to double ERDF appropriations over five years, as called for by the Commission.

#### IV. Application of the Fund Regulation and the Financial Regulation to the 1984 budget

14. The Committee on Regional Policy and Regional Planning points to the Commission's communication on the structural funds and agrees with the Commission's view that the Community's regional policy efforts could be much more effective.
15. The committee finds, moreover, that continued application of the present ERDF Regulation in the 1984 financial year does not provide the basis for responsible utilization of public funds. The committee accordingly considers it to be in the interests of both the taxpayers and the citizens of the weaker regions of the Community to convince the Council of the need for responsible stewardship of public monies.
16. Since the Council has not been able to agree on a revised Fund Regulation that would ensure more efficient use of funds, the Committee on Regional Policy and Regional Planning proposes the following measures to improve the efficiency of the 1984 budget:
  - A. Geographic concentration of the appropriations entered
17. Since the validity of Article 2(3a) of the Fund Regulation expired on 31 December 1981 and the Council has since then been unable to agree on a revised regulation, the European Parliament calls on the Commission to finance measures under Article 500 according to the following scale, with effect from 1 January 1984:

- Regions of Greece, except for Zone A	15.97%
- Mezzogiorno	43.67%
- Ireland	7.31%
- Northern Ireland, Scotland, Wales, the 'North' and 'North-West' regions	29.28%
- French overseas departments	2.47%
- Greenland	1.3 %

18. This allocation will make it possible to concentrate the appropriations under the quota section of the Fund on the most needy regions of the European Community. This proposal was put forward earlier, namely in the resolution embodied in the DE PASQUALE report of 22 April 1982<sup>1</sup>. Such geographical concentration of appropriations will substantially improve the effectiveness of the money spent. The provisions of the Fund Regulation on the distribution of the Fund as between the quota and non-quota sections are not affected by this proposal addressed to the Commission.

B. Transfer of appropriations to Chapter 100

19. In view of the serious shortcomings in both the administration of the Regional Fund and in its Regulation, and given also the lack of coordination between this Fund and the other Community financial instruments (see COM(83) 501 final), the Committee on Regional Policy and Regional Planning calls on the European Parliament to transfer 15% of the appropriations entered in Article 500 to Chapter 100.

These appropriations would be released as soon as the Council has adopted a new Fund Regulation which permits structural measures to be more effective.

20. In proposing the transfer of part of the appropriations to Chapter 100, the Committee on Regional Policy and Regional Planning makes clear that in no circumstances must this measure 'penalize' the weakest regions of the Community. The dispute with the Council over a more sensible Fund Regulation must not cause the weaker regions to suffer. The committee has therefore selected the percentage of the appropriations to be transferred to Chapter 100 in such a way that the assistance to be granted to the weaker regions in 1984 in absolute terms will not be lower under the geographically concentrated regional quotas than under the old national quotas.

<sup>1</sup> OJ No. C 125 of 17.5.1982

21. It is the declared intention of the Committee on Regional Policy and Regional Planning to use this retention of part of the Fund's appropriations to exert pressure on the Council to adopt a more efficient Fund Regulation, that will really help the creation of new, additional jobs in poorer regions.

Furthermore, there is reason to suppose that the Council will be more disposed to increase the appropriations for the Fund on the basis of a new and improved Fund Regulation than on the basis of the present Regulation.

22. The Commission's objective of doubling the Fund within five years can thus be attained only in the context of a revised Fund Regulation. For that purpose, it is necessary for the European Parliament to use its budgetary powers to oblige the Council to take political action.

C. Relationship between aids to infrastructure and aids to the industrial and service sectors

23. The Committee on Regional Policy and Regional Planning notes that the Commission broke through the ceiling on investment aid in the infrastructural sector, which is set at 70% under Art. 4(1b) of the Regulation, already three years ago. In the past some 80% has been spent on aids to structural measures. The trend is upwards. The Commission intends to seek a Council decision to raise the ceiling on structural aids.

24. In view of the high priority accorded by the European Parliament to subsidies to the creation of jobs, especially in small and medium-sized undertakings, the committee considers that the Commission should induce the Member States to submit more projects to promote such undertakings. It is a known fact that the investment costs per job are lower in small and medium-sized undertakings than in larger ones.

25. In the long term, the Committee on Regional Policy and Regional Planning believes that the Commission should aim at a 50:50 split between aid to infrastructure investment and aid to investment in small and medium-sized undertakings. This approach would in itself enable the number of jobs created each year to be doubled without any increase in expenditure.

#### V. Other regional policy measures

26. The Council has seen fit to delete the interest-rate subsidies on loans for infrastructure investments in the less-prosperous Member States participating in the European Monetary System (Art. 520). The Committee on Regional Policy and Regional Planning regards this deletion, which affects only the weaker regions, as unjustified and calls for the reinstatement of the appropriation entered by the Commission (+ 200 m ECU).

In this connection, the committee reiterates the request put forward in its opinion on the 1983 budget for better information concerning the utilization of appropriations under Article 520.

27. The committee also repeats its request to the Council and Commission that 'supplementary measures in favour of the United Kingdom' (Art. 530) should not in future be shown under Title 5 (appropriations for operations in the regional sector). These 'measures' amount to no more than an ordinary transfer of budget appropriations to the British Treasury.
28. Item 5410 'preparatory studies for integrated operations' was cut by the Council from 2 m ECU to 1.5 m ECU. In the light of the keen interest that has been shown in integrated operations (applications have been received from nearly all Member States), this reduction does not appear to be justified. The committee therefore calls for the reinstatement of the appropriations shown in the preliminary draft.

29. Article 550 (Mediterranean programmes - preparation of integrated programmes) was cut by the Council from 10 m ECU to 3 m ECU, thus bringing the appropriation for 1984 below that for 1983. Since the Commission has in the meantime submitted a Mediterranean programme together with a corresponding draft regulation, it is necessary to press on with the preliminary work on the integrated programmes (in particular investigations, feasibility studies, pilot projects, etc.).

The Committee on Regional Policy and Regional Planning therefore calls for the reinstatement of the appropriations entered by the Commission under Art. 550.

30. The committee assumes that the Council will adopt the regulation establishing an operating fund (Art. 552) in the course of 1984. It therefore reserves the right in such a case to call for the provision of funds through a supplementary budget. At the present stage it demands the reinstatement of the token entry deleted by the Council.

## VI. Summary

The Committee on Regional Policy and Regional Planning requests the Committee on Budgets, the committee responsible, to incorporate the following text in its motion for a resolution:

### The European Parliament

- Notes that the Regional Fund is the financial instrument under the Community budget which directly contributes to the creation and preservation of jobs;
- Notes that the priorities called for by the European Parliament for the 1984 budget with a view to the fight against unemployment are not reflected in the endowment of the ERDF; instead, existing budget structures have remained and have even been allowed to deteriorate. The relative and absolute significance of the structural funds, including also the Regional Fund, has been reduced;
- Points to the growing economic and social division of the Community into weak and strong regions, which brings with it a threat to the political and economic existence of the Community;
- Deplores the fact that, in the face of these rapidly growing regional disparities, the function of the Fund is increasingly no more than to provide a political alibi. It is incapable of bringing about regional policy changes with its present endowment and in its present form;
- Calls on the Council to adopt without delay the revised Fund Regulation as proposed by the European Parliament;
- Notes that the Regional Fund's payment appropriations entered in the 1982 and 1983 budgets have been utilized almost in their entirety;
- Considers the cut-backs applied by the Council in the regional policy sector of the budget to be politically irresponsible and calls for the reinstatement of the Commission's appropriations, which represent an absolute minimum;
- Notes that, as made clear in the Commission's report on the structural funds, very considerable improvements could be made in the effectiveness of the Community's regional policy efforts;
- Notes that responsible use of public funds is not guaranteed on the basis of the existing Fund Regulations;

- Considers it therefore necessary in the interest of Community taxpayers to induce the Council to administer public monies in a responsible manner;
- Feels obliged in the context of its budgetary powers to transfer 15% of appropriations under Article 500 to Chapter 100 pending adoption by the Council of a revised Regional Fund Regulation (revision of all structural fund regulations);
- Considers it justified, in view of the expiry of Art. 2(3a)(national quotas), to apply from the 1984 financial year approximately those regional quotas which were proposed by the Commission and approved by the European Parliament in the DE PASQUALE report (Doc. 1-61/82);
- Considers it necessary in future to increase the percentage of investment aid provided under the Fund to the industrial and service sectors, since only in this way can the fight against unemployment be conducted more effectively.



1984 BUDGET - MEASURES IN THE REGIONAL POLICY SECTOR (in 1,000 ECU)

Article	A 1983 Budget		B 1984 Comm. prelim. draft		C 1984 Council draft		1983/84 Variations in %			
	CA	PA	CA	PA	CA	PA	B:A		C:A	
							CA	PA	CA	PA
- 500 ERDF Quota	1,909,500	1,180,000	2,250,000	1,400,000	1,900,000	1,200,000	+ 17.8	+ 18.6	- 4.7	+ 1.7
- 510 ERDF Non-quota	100,500	79,000	250,000	100,000	100,000	100,000	+148.7	+26.6	- 0.5	+ 26.6
- 520 Interest subsidies EMS	200,000	200,000	200,000	200,000	p.m.	p.m.	± 0	± 0	- 100	- 100
- 530 Supplementary measures UK	692,000	692,000	-	-	p.m.	p.m.	-100	-100	- 100	- 100
- 5400 Regional studies MS	425	425	425	425	275	275	± 0	± 0	-54.5	- 54.5
- 5401 Regional studies Comm.	375	375	425	425	425	425	+ 13.3	+ 13.3	+13.3	+ 13.3
- 5410 Prep. studies integr. op.	2,000	2,000	2,000	2,000	1,500	1,500	± 0	± 0	-33.3	- 33.3
- 5411 Community measures integr. op.	p.m. <sup>1</sup>	p.m. <sup>1</sup>	33,000	29,600	33,000	29,600	-	-	-	-
- 550 Med. prog. - prep. integr. prog.	7,000	7,000	10,000	10,000	3,000	3,000	+ 42.8	+ 42.8	-57.2	- 57.2
- 551 Med. prog. Community op.	1,000	1,000	p.m.	p.m.	p.m.	p.m.	-100	-100	- 100	- 100
- 552 Operating fund	p.m.	p.m.	p.m.	p.m.	-	-	-	-	-	-
Chap. 5 - Total (excl. Art. 530)	2,220,800	1,469,800	2,745,850	1,742,450	2,038,200	1,334,800	+ 23.6	+ 18.5	- 8.2	- 9.2

<sup>1</sup> an appropriation of 16 m ECU is entered in Chapter 100

Opinion of the Committee on Transport

Draftsman : Mr ALBERS

At its meeting of 26 January 1983, the Committee on Transport appointed Mr Willem ALBERS draftsman of an opinion for the Committee on Budgets on the draft general budget of the European Communities for the 1984 financial year.

The Committee on Transport considered the preliminary draft budget at its meeting of 21 June 1983. At its meeting of 11 July 1983, the committee held an exchange of views with the rapporteur of the Committee on Budgets, Mrs SCRIVENER.

At its meeting of 22 September 1983 the Committee on Transport considered the draft general budget for the 1984 financial year, the draft opinion and the draft amendments proposed by the draftsman.

The committee then adopted the draft opinion and the draft amendments unanimously.

The following took part in the vote:

Dame Shelagh ROBERTS (acting chairman), Mr KALOYANNIS (vice-chairman), Mr KEY, Mr KLINKENBORG, Mr ALBERS, Mr K.-H. HOFFMANN, Mr MORELAND, Mr BUTTAFUOCO and Mr KAZAZIS (deputizing for Mr MODIANO).

## Priority to Community financing of transport infrastructure projects

1. Priority should be given in the 1984 budgetary procedure to a significant increase in Community financing of transport infrastructure. This Community policy, one of the few which directly promotes productive investment, has got under way in recent years through initiatives by the European Parliament and should now be developed into an efficient instrument of common transport policy.
2. If a genuinely common transport policy, such as advocated by the European Parliament for over 25 years, is to be achieved, the debate on the Community budget should first address the question of the level of appropriations required for an efficient Community transport infrastructure policy. Given the high cost of transport infrastructure investment it is clear that thousands of millions of ECUs would have to be spent. However, for the reasons set out below, to earmark appropriations on the basis of what would be politically desirable is not a realistic approach at the present time.

## Need for a realistic approach

3. The Council of Ministers has still not introduced the common transport policy called for by the European Parliament; more specifically, it has still not adopted the basic regulation for common transport infrastructure financing. The European Parliament has therefore instituted proceedings against the Council of Ministers before the European Court of Justice for failure to act, which are still pending.
4. Such co-financing of transport infrastructure projects from the Community budget as exists at present is due to the fact that the European Parliament authorized specific amounts for this purpose in the 1982 and 1983 budgets against the wishes of the Council. These non-compulsory appropriations were authorized as part of the margin available to the European Parliament under the EEC Treaty for increasing non-compulsory expenditure above the level of the Council's draft budget. Any increases in the appropriations set aside in the 1984 draft budget by the Council of Ministers must also be made within this margin. However, because the development of transport policy is clearly lagging behind that of other Community policies to an unacceptable degree, it should be accorded a certain priority within that margin.

5. A further constraint on the European Parliament's budgetary policy is the limit on revenue, which at present consists of revenue from customs duties and levies plus a maximum of 1% of VAT revenue in the Member States. The Commission's preliminary draft budget and the Council's draft budget for 1984 have all but reached the ceiling thus imposed on the Community's own resources, although the Council of Ministers' estimate of revenue for 1984 was admittedly considerably below the Commission's. Consequently, the Commission's budget estimates are likely to provide an indication of the absolute upper limit, unless the European Parliament decides on a drastic redistribution of appropriations between the various sectors.

The Commission's experimental programme as a realistic approach

6. A realistic policy for the expansion of common transport infrastructure financing must of necessity fit within the framework described above. In constant dialogue with the European Parliament, which in its resolution of 15 October 1982<sup>1</sup> called in particular for Community financing to be concentrated on projects ready for implementation, the Commission submitted a multi-annual transport infrastructure experimental programme to the Council of Ministers in December 1982<sup>2</sup>.
7. The European Parliament approved the plans contained in that communication concerning Community support for transport infrastructure projects during the period 1983-1985 in its resolution of 10 June 1983<sup>3</sup> based on the report drawn up by Mr MARTIN on behalf of the Committee on Transport and the opinion drawn up by Mr PROTOPAPADAKIS on behalf of the Committee on Budgets (Doc. 1-85/83 + Annex). The Commission has incorporated the payment and commitment appropriations proposed in this programme for the

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<sup>1</sup> OJ No. C 292 of 8.11.1982, p. 103 et seq.

<sup>2</sup> COM(82) 828 final

<sup>3</sup> OJ No. C 184 of 11.7.1983, p. 135 et seq.

1984 financial year into the 1984 preliminary draft budget. On 5 August 1983 the Commission finally submitted a proposal for a regulation on financial support for a multi-annual transport infrastructure programme (COM(83) 474 final), to enable the Council to take a formal decision creating a legal basis - limited to the period 1983-1987 - for common transport infrastructure financing.

8. The fact that the Committee on Transport, the Committee on Budgets and Parliament as a whole have all viewed the Commission's experimental programme favourably indicates that, in spite of all difficulties related to the current budgetary situation, it is essential that the Commission's proposals in this area be incorporated in the 1984 budget.

#### The need to promote projects in third countries

9. The European Parliament has repeatedly expressed the view that Community financial support for transport infrastructure projects should also include certain projects in third countries; in particular it has called for a financial contribution by the Community to the construction of the Innkreis-Pyrhn motorway in Austria<sup>1</sup>. This objective should now be expressed in an appropriate manner in the budget. In view of the current state of the negotiations between the Community and Austria on transport matters there seems to be little point at this stage in setting aside specific amounts for this purpose in the 1984 budget. A token entry would be more appropriate.
10. This political objective could be achieved by amending the headings in the transport chapter of the budget so as to create separate budgetary articles covering financial support for transport infrastructure projects within and outside the Community. Reference could then be made to the negotiations between the Community and Austria in the remarks.

#### The Council of Ministers' draft budget

11. Although in the draft budget for 1984 the Council of Ministers made only a token entry against Article 781 'Financial support for transport infrastructure projects', it did enter a commitment appropriation of 60 m ECU

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<sup>1</sup> Resolution of 15 October 1982, OJ No. C 292 of 8.11.1982, p. 103 et seq.

and a payment appropriation of 31 m ECU against the reserve Chapter 100, which could be transferred to Article 781 in the course of the financial year. The Council also entered in Chapter 100 a further commitment appropriation of 30 m ECU and a payment appropriation of 24.6 m ECU as a general reserve for new policies, part of which might likewise be used for transport infrastructure measures. Lastly, the Council of Ministers has proposed an appropriation of 471 m ECU against a new Article 783 of the Community budget for special projects on transport infrastructure in the United Kingdom and the Federal Republic of Germany.

12. After the many years of campaigning by the Committee on Transport for common transport infrastructure financing, the fact that for the first time the Council of Ministers has earmarked specific amounts in the 1984 draft budget which correspond quite closely to those considered necessary by the Committee on Transport is to be welcomed as a definite step forward. Nevertheless, while acknowledging this step forward, the European Parliament should reinstate in the 1984 budget the appropriation requested by the Commission in its preliminary draft budget, so that the transport infrastructure experimental programme already approved by Parliament may be carried out in full. Moreover, in order to avoid the additional administrative expense involved in a transfer of appropriations, these appropriations should be entered directly against the budget line and not, as proposed by the Council, in a reserve chapter.
13. With regard to the newly-created Article 783 for special measures to assist the United Kingdom and the Federal Republic of Germany, it is to be welcomed from the point of view of the common transport policy that the Council has included in the remarks against this article a number of criteria for assessing the Community benefit of transport infrastructure projects. The Committee on Budgets will, moreover, have to address the budgetary problems related to such special payments.

#### Miscellaneous expenditure in the field of transport

14. In its resolution of 15 October 1982<sup>1</sup> the European Parliament advocated that budgetary appropriations for the financial support of transport infrastructure projects should be spent only on projects which were ready for implementation. The European Parliament thus made clear its

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<sup>1</sup> Resolution of 15 October 1982, OJ C 292 of 8.11.1982, p. 103 et seq.

opposition in particular to the awarding of study contracts. The report drawn up by Mr KLINKENBORG on transport infrastructure planning clearly showed that general studies were of no use for evaluating the Community benefit of infrastructure projects. The Commission should obtain the necessary information through its own services instead so as to ensure comparability of results at European level. The only studies contracted out to research institutes by the Commission should be technical feasibility studies and cost/benefit analyses at the end of a project. The appropriations provided in the draft budget ought to be sufficient for this purpose.

15. The Commission has proposed in its preliminary draft budget that the appropriations for observation and operation of freight markets (formerly Article 785) should be allocated to two separate articles and called for a substantial increase in these appropriations relative to the 1983 budget. The Council has only partly accommodated this request in the case of Article 785 and has proposed only token entries against Article 786.
16. There is a good case for reinstating the appropriations entered against Articles 785 and 786 in the preliminary draft budget, because the Commission has noticeably stepped up its activity in the transport policy field following Parliament's proceedings against the Council for failure to act. In order to formulate viable proposals, renewed efforts are needed in the field of market observation and transport statistics and this inevitably entails higher expenditure. The European Parliament should therefore authorize the appropriations requested by the Commission under Articles 785 and 786. The necessary increases vis-à-vis the Council draft could be offset by the deletions advocated by the Committee on Transport in Article 780.

### Conclusions

17. For the reasons set out above the Committee on Transport takes the view that the European Parliament should wholeheartedly welcome the progress in transport policy resulting from the Council's draft budget for 1984 and should, moreover, with regard to Chapter 78 of the 1984 budget:

- maintain the appropriations requested by the Commission in the 1984 preliminary draft budget for Articles 781, 782, 785 and 786;
- confine Article 781 to projects within the Community and create a new Article 784 for financial support for projects outside the Community, against which a token entry would be made.



Summary of the trends in expenditure in the transport sector in the period 1980-1983  
in million ECU

Article	Heading	1980		1981		1982		1983	
		Commitment	Payment	Commitment	Payment	Commitment	Payment	Commitment	Payment
780	Studies preliminary to financial aid in respect of transport infrastructure	0.71	0.71	0.5	0.5	0.9	0.9	0.85	0.85
781	Financial support for transport infrastructure projects	-	-	p.m.	p.m.	p.m. (10 m in Chap. 100)	p.m.	15	13
782	Community guarantee for transport infrastructure projects	-	-	-	-	-	-	p.m.	p.m.
785	Observation and operation of freight markets	0.47	0.47	0.42	0.42	0.6	0.6	0.6	0.6
	Total	1.18	1.18	0.92	0.92	1.5 (+ 10 m in Chap. 100)	1.5	16.45	14.45

Summary of the 1984 budgetary procedure  
in million ECU

Article	Heading	1983 budget		1984 preliminary draft budget (Commission)		1984 draft budget (Council)		Committee on Transport proposal	
		Commitment	Payment	Commitment	Payment	Commitment	Payment	Commitment	Payment
780	Studies preliminary to financial aid in respect of transport infrastructure	0.85	0.85	0.7	0.7	0.5	0.5	0.5	0.5
781	Financial support for transport infrastructure projects (within the Community*)	15	13	105	32	p.m. (60 in Chap. 100)	p.m. (31 in Chap. 100)	105	32
782	Community guarantee for transport infrastructure projects	p.m.	p.m.	p.m.	p.m.	-	-	p.m.	p.m.
783	Special projects on transport infrastructure	-	-	-	-	471	471	471	471
784*	Financial support for transport infrastructure projects outside the Community	-	-	-	-			p.m.	p.m.
785	Observation (and operation**) of freight markets	0.6	0.6	0.8	0.8	0.6	0.6	0.8	0.8
786**	Operation of Community freight markets	-	-	0.45	0.45	p.m.	p.m.	0.45	0.45
	Total	16.45	14.45	106.95		472.1 + 60 in Chap. 100	472.1 + 31 in Chap. 100	577.75	577.75

\* Draft amendment proposed by Committee on Transport to 1984 draft budget

\*\* Amendment in the Commission's preliminary draft budget for 1984

O P I N I O N

(Rule 101 of the Rules of Procedure)

for the Committee on Budgets

from the Committee on the Environment, Public Health and Consumer Protection

Draftsman: Mrs SQUARCIALUPI

The Committee on the Environment, Public Health and Consumer Protection appointed Mrs SQUARCIALUPI draftsman on 27 January 1983.

It considered the draft opinion at its meetings of 23 February, 19 April, 24 May, 22 and 28 September 1983 and at the last of these meetings approved the conclusions contained in the opinion by 11 votes to none with three abstentions.

The following took part in the vote: Mr COLLINS, chairman; Mr RYAN, Miss HOOPER and Mrs WEBER, vice-chairmen; Mrs SQUARCIALUPI, draftsman of the opinion; Mr FORTH, Mr GHERGO, Mrs KROUWEL-VLAM, Mrs MAIJ-WEGGEN (deputizing for Mr Alber), Mr MERTENS (deputizing for Mrs Lentz-Cornette), Mr MUNTINGH, Mr SHERLOCK, Mrs SPAAK and Sir Peter VANNECK (deputizing for Mr Johnson).

1. With the presentation of the draft budget for 1984 the budgetary procedure has once more entered a decisive phase, particularly with regard to the appropriations which the Council wishes to allocate to Community measures in the field of the environment, public health and consumer protection.
2. Never in the history of the Community has the Council made such drastic changes by comparison with the previous financial year, thereby simply emasculating a policy resulting from much painstaking work.
3. As regards the specific measures for the protection of the environment and consumers, which are entered against Chapter 66, the Council has simply repudiated its previous statements and, for reasons of budgetary discipline, approved an overall reduction of 52 % in the commitment appropriations proposed by the Commission (preliminary draft) and 41 % in the payment appropriations.
4. Worse still, the Council has not even seen its way to maintaining a status quo in respect of the environmental policy formulated thanks to the European Parliament, which has almost always supported the environmental proposals from the Commission with an overwhelming majority. In fact, it has reduced commitment appropriations by 21 % and payment appropriations by 30 % by comparison with the last financial year.
5. By taking such action, the Council is on course to destroy the environmental policy instead of contributing to the gradual breakthrough which might otherwise be expected. Against Items 6610 (aid for the development of clean technologies which cause little or no pollution and consume fewer natural resources, in particular raw materials), 6611 (protection of the natural environment in certain sensitive areas of Community interest), 6613 (environmental measures which can help to create new jobs), 6620 (Community participation in the action plan for the Mediterranean) and 6631 (operations to combat pollution of the Rhine and other rivers crossing natural frontiers) it has merely made token entry for commitment appropriations. In the case of Items 6610, 6620 and 6631 this also applies to payment appropriations, while Item 6614 (harmonization of environment statistics) has even been deleted from the budget.
6. For this reason, the Committee on the Environment, Public Health and Consumer Protection must adopt a much clearer stance than in the past in order to ensure that measures which have been undertaken to date cannot be undone.

## CONCLUSION

7. For the reasons outlined above, the Committee on the Environment, Public Health and Consumer Protection considers that in 31 important budget lines the amounts contained in the preliminary draft should be reinstated (see Annex I).

8. It also recommends that two amendments should be included in the report on the draft budget in order to give expression to the political determination of the European Parliament as regards environmental protection.

LIST OF AMENDMENTS TABLED

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environment	public health	consumer protection
. 5 6600 PA + 655,000	No. 1 6410 PA + 74,800	No. 24 6670 220,000
. 6 6601 PA 120,000	6411 PA + 112,000	No. 25 6671 220,000
. 7 6602 PA 100,000	(in Chapter 100)	No. 26 6672 200,000
. 8 6603 PA 50,000	No. 2 6480 PA + 100,000	No. 27 6673 110,000
. 9 6610 PA + 750,000 (1)	No. 3 6481 PA + 400,000	
CA + 1,500,000	No. 4 6482 PA + 177,000	----- PA 750,000
. 10 6611 PA + 900,000 (2)	No. 28 7325 PA 900,000	
CA + 2,500,000	CA 1,200,000	
. 11 6612 PA 350,000	No. 29 7326 PA 2,000,000	
CA 1,100,000	CA 691,000	
. 12 6613 PA 300,000		
CA 1,500,000	----- PA + 3,764,000	
. 13 6614 PA 300,000	CA 2,755,000	
CA 500,000		
. 14 6620 PA 530,000		
. 15 6621 PA 780,000		
. 16 6630 PA 250,000		
. 17 6631 PA 100,000		
. 18 6640 PA 114,000		
. 19 6641 PA 500,000		
. 20 6642 PA 20,000		
. 21 6643 PA 100,000		
. 22 6644 PA 100,000		
. 23 6645 PA 100,000		
. 30 7328 PA + 1,410,000		
CA + 4,000,000		
compensation from Art. 100)		
. 31 946 PA 220,000		
. 32 110 et seq staff		
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	PA 6,339,000	
	CA 14,839,000	

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Appropriation for item 6610 already entered in Chapter 100:

payment appropriation : 750 000

commitment appropriation : 1 500 000

Appropriation for item 6611 already entered in Chapter 100:

payment appropriation : 300 000

commitment appropriation: 1 000 000

## I APPROPRIATIONS FOR ENVIRONMENTAL PROTECTION

A. Principal budget lines falling within the committee's terms of reference X 1,000 ECU

Article or item	Heading	Appropriations 1983	1984 Budget Preliminary draft	Draft	Remarks
2986	Community participation in international conventions on the environment	29.7	91.3	77.6	
6600	Basic studies on protection of the environment	2,400	2,550	1,995	
6601	Pollution measurement, intercalibration and surveillance systems	80	200	80	
6602	Assessment of hazards to man and the environment due to chemical substances	540	600	500	
6603	Permanent inventory of sources of information on the environment in the Community	430	480	430	
6610	Aid for the development of clean technologies which cause little or no pollution and consume fewer natural resources in particular raw materials	1,500 (1) 1,500 (2)	1,500 (1) 3,000 (2)	p.m. p.m.	(3)
6611	Protection of the natural environment in certain sensitive areas of Community interest	1,500 (1) 600 (2)	1,800 (1) 3,500 (2)	600 (1) p.m.	(4)
6612	Implementation of Community rules and regulations governing certain forms of pollution	500 (1) 500 (2)	750 (1) 1,500 (2)	400 (1) 400 (2)	

(1) Payment appropriations

(2) Commitment appropriations

(3) Pending a basic decision 50% of the appropriations requested have been entered in Chapter 100

(4) Pending a basic decision a payment appropriation of 300,000 ECU and a commitment appropriation of 1 m ECU have been entered in Chapter 100

Article or item	Heading	Appropriations 1983	1984 Budget		Remarks
			Preliminary draft	Draft	
6613	Environmental measures which can help create new jobs	250 (1) 250 (2)	500 (1) 1,500 (2)	200 (1) p.m. (2)	
6614	Harmonization of environmental statistics	-	300 (1) 500 (2)	- -	Deleted for reasons of budgetary discipline
6620	Community participation in the action plan for the Mediterranean	570	570	p.m.	(3)
6621	Protection of the marine environment	800	900	120	
6630	Environmental projects	350	400	150	
6631	Operations to combat pollution of the Rhine and other rivers crossing national frontiers	100	100	p.m.	
6640	Application of legislation relating to pollution and nuisances	200	214	100	
6641	Application of legislation relating to pollution by toxic and dangerous chemicals	1,700	2,200	1,700	
6642	Application of legislation relating to atmospheric pollution	1,280	1,300	1,280	
946	Ecology in the developing countries	250	250	30	

(3) An appropriation of 40,000 ECU has been entered under Article 298 of Part A



B. Main other budget lines which principally relate to the environment or which fall partially within the committee's terms of reference

Article or item	Heading	Appropriations 1983	1984 Budget		Remarks
			Preliminary draft	Draft	
3210	EAGGF (guidance) - forestry measures in certain dry Mediteranean regions	28,300 (1) 40,000 (2)	45,100 (1) 56,500 (2)	36,100 (1) 10,000 (2)	
388	Community action relating to protection of forests against fire and acid deposits	p.m.	p.m.	p.m.	
7315 (ex 7344) (3)	Nuclear fission - management and storage of radioactive waste <sup>3</sup>	9,500 (1) 10,500 (2)	5,000 (1) 40,000 (2)	6,000 (1) 2,995 (2)	
7326 (ex 7368)	Health and safety - biology and health protection	11,000 (1) 6,000 (2)		7,000 (1) 5,000 (2)	
7328	Environment - sectoral programme 'environment'	10,000 (1) 10,000 (2)		7,000 (1) 8,000 (2)	
734 (new)	Pilot projects for the decommissioning of nuclear power stations, radioactive storage and the desulphurization of the off-gas of thermal power stations (4)	p.m.	22,000 (1) 200,000 (2)	p.m.	
7356	Horizontal projects - maritime navigation aid systems	500 (1) 800 (2)		300 (1) 800 (2)	
7374 (new)	Environment - direct action	p.m.		p.m.	
7390 (ex 7300, 7301, 7302, 7303, 7304)	Completion of joint programmes (1980 - 1983)	142,516 (1) 140,700 (2)	29,391	25,000 (1) - (2)	
958	Special programme to combat hunger in the world	50,000	85,000	p.m.	

(3) In the preliminary draft this line is shown as item 7318

(4) For these three projects the Commission has entered 7 m ECU, 5 m ECU and 10 m ECU as payment appropriations and 70 m ECU, 40 m ECU and 90 m ECU as commitment appropriations

II APPROPRIATIONS FOR PUBLIC HEALTH

A. Principal budget lines falling within the committee's terms of reference

Article or item	Heading	Appropriations 1983	1984 Budget Preliminary draft	Draft	Remarks
3810	Application and supervision of Directives in veterinary matters	200	200	500	
6480	Radiation protection	500	600	500	
6481	Public health	400	500	100	
6482	Health protection, hygiene and safety at work	2,090	2,267	2,090	
6483	Grants to international bodies for measures relating to health protection, hygiene and safety at work	40	42	40	

B. Other mainbudget lines which principally relate to public health or on which the committee is competent to deliver an opinion

Article or item	Heading	Appropriations 1983	1984 Budget		Remarks
			Preliminary draft	Draft	
3811	Campaign against brucellosis, tuberculosis and leucosis in cattle	30,600	12,615	12,615	
3812	Pre-movement veterinary testing of cattle in Ireland	1,500	p.m.	p.m.	
641	European foundation for the improvement of living and working conditions	3,900	4,387	4,200	
7325 (ex 7367)	Health and safety - medical research III	3,000 (1) 3,500 (2)		1,700 (1) 5,000 (2)	
7326 (ex 7368)	Health and safety - biology and health protection	11,000 (1) 6,000 (2)		7,000 (1) 5,000 (2)	
7330 (ex 7374)	Research link to development - science and technology for development	1,500 (1) 5,000 (2)		2,500 (1) 11,000 (2)	
7352 (new)	Horizontal projects - aquaculture			p.m.	
7354 (ex 7371)	Horizontal projects - food technology III	160 (1) 160 (2)		180 (1) 175 (2)	

### III APPROPRIATIONS FOR CONSUMER PROTECTION

Budget lines falling within the committee's terms of reference

Article or item	Heading	Appropriations 1983	1984 Budget		Remarks
			Preliminary Draft	Draft	
6670	Consumer protection studies	480	520	300	
6671	Grant to European consumer organizations	360	420	200	
6672	Consumer protection and information measures	330	400	200	
6673	Measures required for the application of the Consumer Directives	160	210	100	

## Opinion of the Committee on Development and Cooperation

- Draftsman : Mr de COURCY LING

### Introduction

1. The Committee on Development and Cooperation considered its priorities for the Title 9 of the Draft Budget of the European Communities for 1984 before the determination by the Budget Council in July 1983 as follows:

(A) The consolidation of further development of the Community's aid and development policies both in the ACP countries and in the non-associated developing countries,

(B) The encouragement of self-sufficiency in food by agricultural and technical training in the poorest countries remembering that food aid may be a disincentive to agricultural production,

(C) The rigorous application of the Parliament's responsibility to ensure cost effectiveness in the Community's expenditure on Community aid.

### Comparison between the Preliminary Draft Budget and the Draft Budget established by the Council in July 1983

2. The Draft General Budget of the Council represents a 33.7 per cent cut in commitments in Title 9 of the Preliminary Draft Budget and a cut of 32.5 per cent in payments. The reductions in relation to the final 1983 budget in Title 9 are 21.7 per cent in relation to commitments and 20.2 per cent in relation to payments. This drastic reduction appears to reflect a desperate attempt by the Council to accommodate the obligatory expenditure of the Council in 1984 within the 1 per cent VAT ceiling. The Parliament itself must accept a share of responsibility because of the attitude it took during the farm price review.

### Political implications of the Council's Draft Budget.

3. It is difficult to anticipate either the substance of the successor agreement to the existing Lomé Convention or the size of the European Development Fund which will run from 1985 until 1989. The new fund is however unlikely to be a subject of parliamentary approval. The Commission are willing that it should be budgetised in this way but it is unlikely

that the Council will agree. Consequently the Parliament faces a situation where the area of budget expenditure over which it has control is to be very sharply reduced. The 20 per cent reduction in Title 9 Budget for 1983 to 1984 represents proportionately a more drastic diminution of the area over which the Parliament has supervision than it does the diminution of the power and resources of DG VIII of the Commission. It does, however, reflect also the lack of realism in the Parliament in recent years when we have called for funds to combat hunger in the world while doing nothing to curb our own expenditure in the agricultural sector.

#### The Parliament's priorities for 1984

4. The European Parliament must confront this situation in the light of the adjustments which the Council have made to other chapters, and of their own priorities in relation to overseas aid. The General Rapporteur for the 1984 Budget has said in her guidelines that the fight against poverty in the developing countries and against unemployment within the Community itself should be the twin priority objectives of the forthcoming budget. It is particularly necessary to remember that a savage reduction in external aid of the order envisaged by the Council would be regarded as a sharp, deliberate and tangible change of policy by the Community in the conduct of its external relations. Unlike the agricultural, regional or social policies Title 9 contains expenditure which is inherent in the Community's diplomacy in Africa, the Mediterranean Basin, the Caribbean, the Pacific and Asia. Sharp and unexplained changes of policy would have detrimental effects upon our relations with those areas which might well be disproportionate to the monetary savings, souring the atmosphere of the negotiations which will open between the EEC and the ACP countries for the 3rd Lomé Convention in Luxembourg at the beginning of October 1983.

5. Members may therefore wish to compare the reductions in Title 9 with reductions in other Titles of the Budget as follows:

	<u>1983 Budget</u>		<u>1984 PDB</u>	
	<u>Commitments</u>	<u>Payments</u>	<u>Commitments</u>	<u>Payments</u>
	%	%	%	%
Title 9	-21.7	-20.4	-33.7	-32.5
Social Fund	0.2	-18.5	-29	-29
Total of Title 6 (Social)	+10	+ 1.5	-19.6	-14.7
Regional Fund	.0	+ 3.25	-20	-13.3
EAGGF Guarantee Section	+17.4	-	0	-
EAGGF Guidance Section	-1.3	+ 2.7	+ 1.8	- 4.2
Title 7 (Energy and Research)	+49	+36.7	-11	+6.5
Total Budget for 1984	+ 9.4	+ 8.6	- 7.14	- 2.66

(All figures expressed as percentages)

Recommendations by the Rapporteur to the Development and Cooperation Committee

6. The Council's forecast of the Community's revenues for the financial year 1984 are based on a total income of 0.9620 per cent of VAT. The Draft Budget determined by the Council in the Budget Council in July 1983 falls short of this figure by 555.8 MEUA. Consequently the rapporteur recommends that the restoration of cuts inflicted by the Council should be accommodated within this ceiling. Title 9 is of course significantly smaller than the three other major titles (Social, Regional and Energy with Research). The rapporteur recommends however that the restoration of development expenditure should be not much less than the restoration of expenditure cut from the other sectors in the 1983 Budget Council.

Consequently the Development Committee's rapporteur recommends an envelope in regard to Title 9 of the order of 145 MEUA in commitments and of 160 MEUA in payments<sup>1</sup>, composed as follows (commitments have a special political significance in Title 9 of the Budget as an expression of the long term attitude of the Community towards the less privileged areas of the world):-

<sup>1</sup>With regard to NCE

Non-compulsory expenditure

<u>Chapter, Article, Item</u>	<u>Heading</u>	<u>MEUA</u>	
		<u>Commitments</u> (in relation to 1984 Draft Budget)	<u>Payments</u>
90 and 91	E.D.F.	p.m.	p.m.
9204	Additional aid in cereals	-	+ 18.4
9211	Milk powder	-	+ 19.0
9213	Butteroil	-	+ 20.0
9221	Sugar	-	+ 1.0
923	Vegetable oil	-	+ 3.0
924	Other commodities	-	+ 8.0
9251	Transport costs	-	+ 20.0
929	Projects in place of food aid	-	+ 0.5
930	Non-associated developing countries	+ 35.0	-
934	Training	+ 0.9	-
935	Training institutes	-	+ 0.4
936	Self-sufficiency for refugees	+ 5.0	+ 2.0
940	GSP seminars	-	+ 0.05
941	NGOs	+ 5.0	+ 6.0
942	Advisory Committee	-	+ 0.2
943	IFAD	-	p.m.
944	Evaluation	-	+ 1.0
945	Cooperation with Arab countries	-	+ 0.5
946	Ecology	-	+ 0.22
948	Statistical measures	-	+ 1.2
949	Negotiation of Lomé Convention	-	+ 0.85
950	Disaster victims	-	+ 7.5
958	Special programme to combat hunger	+ 100.0	+ 42.5
9481	Demographic surveys	-	p.m.
970	Common fund	-	p.m.
982	Delegations	-	+ 6.0
		-----	-----
		+ 145.9	+160.82
		-----	-----



Compulsory expenditure

<u>Chapter, Article, Item</u>	<u>Heading</u>	<u>MEUA</u>	
		<u>Commitments</u> (in relation to 1984 Draft Budget)	<u>Payments</u>
926	EEC/UNRWA Convention	-	+ 1.0
959	Supplementary UNRWA aid	-	+ 16.0
9650	1st Protocol with Algeria	-	+ 2.0
9652	1st Protocol with Morocco	-	+ 3.0
9654	1st Protocol with Tunisia	-	+ 3.0
9660	1st Protocol with Egypt	-	+ 10.0
9667	1st Protocol with Syria	-	+ 2.0
		-----	-----
		-	+ 37.0
		-----	-----

Conclusion

7. The cut in non-obligatory expenditure in Title 9 agreed by the Budget Council in July 1983 was 355.5 MEUA in commitments and 313.6 MEUA in payments. Reductions by the Council in obligatory expenditure covered by financial protocols between the EEC and Third World countries were 86.5 MEUA in commitments and 62 MEUA in payments. It will therefore be seen that the reinstatements proposed by the rapporteur for the Committee on Development and Cooperation, however substantial they may be in terms of the amount of additional appropriations, are necessary to preserve the credibility of the Community's development policy in relation to the developing countries, and in particular the non-associated developing countries.

Opinion of the Committee of Inquiry into the Situation of Women in Europe

Draftsman : Mrs LENZ

At its meeting on 20 and 21 January 1983, the Committee of Inquiry into the Situation of Women in Europe decided to draw up an opinion for the Committee on Budgets on the parts of the 1984 draft budget that affected the situation of women, and Mrs Marlène LENZ was appointed draftsman.

At its meeting on 25 and 26 May 1983, the Committee of Inquiry had a first exchange of views on the working document drafted by Mrs LENZ and unanimously gave her a general mandate for budgetary matters, similar to that given to Mrs VAYSSADE for 1983.

At its meeting of 16 and 17 June, the Committee of Inquiry had a second exchange of views on Mrs LENZ's working document, in the presence of Mrs SCRIVENER, general-rapporteur.

The Council adopted the draft budget on 22 June 1983.

The Committee of Inquiry into the Situation of Women in Europe considered Mrs LENZ's draft opinion at its meeting of 21 and 22 September 1983 and at the same meeting unanimously adopted this opinion together with 30 amendments.

The following took part in the vote: Mrs CINCIARI RODANO, chairman; Mrs VAYSSADE, Mrs LENZ and Dame Shelagh ROBERTS, vice-chairmen; Mrs MAIJ-WEGGEN, member; Mrs KROUWEL-VLAM, Mrs PANTAZI and Mrs PHLIX, substitutes.

## INTRODUCTORY REMARKS

On 12 May 1982 the European Parliament adopted a resolution embodying its opinion on the proposal from the Commission of the Communities to the Council on a new Community action programme on equal opportunities for women, stating (point 4) that it 'considers the appropriations proposed by the Commission and the additional staff for the two Commission services dealing with women's questions as shown in the financial statement in Annex IV' (of the action programme) 'as the absolute minimum necessary.'

On 8 July 1982 the European Parliament adopted a resolution on the preliminary draft budget in the light of Parliament's resolution on guidelines for the 1983 budget stating that Parliament 'welcomes the fact that the Commission has drawn up an action programme on equality of opportunity but believes that if this programme is to be implemented, appropriations will have to be substantially increased as requested by Parliament in its resolution of 12 May 1982 and asks the Council to take the necessary decisions, thereby putting into practice its resolution of 27 May 1982 on equal opportunities.'

On 22 July 1983 the Council drew up the 1984 draft budget and considerably reduced (among other items) appropriations directly affecting women.

The Committee of Inquiry fears that, with unemployment particularly affecting girls, young women and women aged over 25, insufficient consideration may be given to their interests, although the Committee is aware that all Community measures have to take account of a more restrictive budget policy.

